Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

天虹紡織集團有限公司
TEXHONG TEXTILE GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2678

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL HIGHLIGHTS

- Revenue increased by 33.8% to RMB5,472 million.
- Gross profit margin increased by 9.2 percentage point to 23.9%.
- Net profit margin increased by 8.4 percentage point to 15.4%.
- Profit for the year set a record high for consecutive two years since incorporation, it nearly tripled to RMB841 million.
- Profit for the year after excluding other income and exchange gain on financing activities also nearly tripled to RMB768 million.
- Earnings per share also nearly tripled to RMB0.95.

The board (the "Board") of directors (the "Directors") of Texhong Textile Group Limited ("Texhong" or the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2010, together with the comparative figures in 2009.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	Note	Year ended 31 December **2010** *RMB'000*	2009 *RMB'000*
Revenue	*2*	**5,471,598**	4,088,436
Cost of sales	*4*	**(4,162,989)**	(3,487,176)
Gross profit		**1,308,609**	601,260
Selling and distribution costs	*4*	**(128,930)**	(114,242)
General and administrative expenses	*4*	**(204,867)**	(143,891)
Other income	*3*	**49,517**	20,670
Other losses - net	*3*	**(39,292)**	(1,101)
Operating profit		**985,037**	362,696
Finance income		**2,792**	3,985
Finance costs		**(46,358)**	(49,136)
Finance costs - net	*5*	**(43,566)**	(45,151)
Share of profit of an associate		**8,702**	286
Profit before income tax		**950,173**	317,831
Income tax expense	*6*	**(109,039)**	(32,266)
Profit for the year		**841,134**	285,565
Profit attributable to:			
Owners of the parent		**841,225**	285,565
Non-controlling interests		**(91)**	-
		841,134	285,565
Earnings per share attributable to equity holders of the Company during the year (expressed in RMB per share)			
Basic earnings per share	*7*	**0.95**	0.32
Diluted earnings per share	*7*	**0.95**	0.32

		2010 *RMB'000*	2009 *RMB'000*
Dividends	*8*	**211,992**	85,651

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December

		Year ended 31 December	
		2010	2009
	Note	***RMB'000***	*RMB'000*
Profit for the year		**841,134**	285,565
Other comprehensive income:			
Revaluation of buildings			
– gross		**32,181**	–
– deferred income tax		**(7,665)**	–
Other comprehensive income for the year		**24,516**	–
Total comprehensive income for the year		**865,650**	285,565
Attributable to:			
Equity holders of the Company		**865,741**	285,565
Non-controlling interests		**(91)**	–
		865,650	285,565

CONSOLIDATED BALANCE SHEET
As at 31 December

		As at 31 December	
		2010	**2009**
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		**151,075**	154,483
Property, plant and equipment		**1,798,930**	1,435,545
Investment in an associate		**43,560**	34,858
Deferred income tax assets		**24,430**	2,601
		2,017,995	1,627,487
Current assets			
Inventories		**1,386,851**	714,655
Trade and bills receivables	*9*	**404,319**	435,465
Prepayments, deposits and other receivables		**495,378**	112,193
Pledged bank deposits		**35,231**	15,899
Cash and cash equivalents		**569,466**	392,003
		2,891,245	1,670,215
Total assets		**4,909,240**	3,297,702
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Ordinary shares		**94,064**	94,064
Share premium		**189,218**	189,218
Other reserves		**419,299**	340,496
Retained earnings			
- Proposed final dividend		**127,054**	58,369
- Others		**1,379,464**	804,518
		2,209,099	1,486,665
Non-controlling interests		**76**	-
Total equity		**2,209,175**	1,486,665

		As at 31 December	
		2010	**2009**
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**629,806**	276,585
Deferred income tax liabilities		**49,275**	24,137
		679,081	300,722
Current liabilities			
Trade and bills payables	*10*	**859,402**	510,602
Accruals and other payables		**476,533**	282,741
Current income tax liabilities		**41,668**	8,798
Borrowings		**609,912**	707,869
Derivative financial instruments		**33,469**	305
		2,020,984	1,510,315
Total liabilities		**2,700,065**	1,811,037
Total equity and liabilities		**4,909,240**	3,297,702
Net current assets		**870,261**	159,900
Total assets less current liabilities		**2,888,256**	1,787,387

NOTES:

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Group is principally engaged in the manufacturing and sale of yarn, grey fabrics and garment fabrics.

The Company was incorporated in the Cayman Islands on 12 July 2004 as an exempted company with limited liability under the Companies Law of Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited. (the "Stock Exchange") since 9 December 2004.

These consolidated financial statements are presented in Chinese Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 28 February 2011.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements of Texhong Textile Group Limited have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The amendment has no significant impact on the Group's consolidated financial statement, as it has not had any business combinations during the year.

- HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. HKAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

- HKAS 17 (amendment), ’Leases’, deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under “Leasehold land and land use rights”, and amortised over the lease term. The adoption of the revised standard does not have any impact on the Group’s consolidated financial statement as the group has no lease of land which is qualified for finance lease.

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the group (although they may affect the accounting for future transactions and events)

  - HK(IFRIC) 17, ’Distribution of non-cash assets to owners’ (effective on or after 1 July 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

  - HK(IFRIC) 18, ’Transfers of assets from customers’, effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

  - HK(IFRIC) 9, ’Reassessment of embedded derivatives and HKAS 39, Financial instruments: Recognition and measurement’, effective 1 July 2009. This amendment to HK(IFRIC) 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the ’fair value through profit or loss’ category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remains classified as at fair value through profit or loss in its entirety.

- HK(IFRIC) 16, Hedges of a net investment in a foreign operation' effective 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of HKAS 39 that relate to a net investment hedge are satisfied. In particular, the group should clearly document its hedging strategy because of the possibility of different designations at different levels of the group. HKAS 38 (amendment), 'Intangible assets', effective 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

- HKAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

- HKAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of HKFRS 8, ' Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

- HKFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective form 1 January 2010. In addition to incorporating HK(IFRIC) 8, 'Scope of HKFRS 2', and HK(IFRIC) 11, 'HKFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in HK(IFRIC) 11 to address the classification of group arrangements that were not covered by that interpretation.

- HKFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarificaties that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1.

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted.

The group's and parent entity's assessment of the impact of these new standards and interpretations is set out below.

- HKFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace HKAS 39, 'Financial instruments: recognition and measurement'. HKFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The Group will adopt HKFRS 9 starting from 1 January 2013.

- Revised HKAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes HKAS 24, 'Related party disclosures', issued in 2003. HKAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. The Group will apply the revised standard from 1 January 2011.

- ’Classification of rights issues’ (amendment to HKAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with HKAS 8 ’Accounting policies, changes in accounting estimates and errors’. The Group will apply the amended standard from 1 January 2011.

- HK (IFRIC) – Int 19, ’Extinguishing financial liabilities with equity instruments’, effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Group will apply the interpretation from 1 January 2011. It is not expected to have any impact on the Group or the parent entity’s financial statements.

- Prepayments of a minimum funding requirement’ (amendments to HK (IFRIC) – Int 14). The amendments correct an unintended consequence of HK (IFRIC) – Int 14, ’HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction’. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when HK (IFRIC) – Int 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Group will apply these amendments for the financial reporting period commencing on 1 January 2011.

2. REVENUE AND SEGMENT INFORMATION

(i) Revenue

The Group is principally engaged in the manufacturing and sale of yarns, grey fabrics and garment fabrics. Revenue / Turnover recognised represented sales of goods, net of value-added tax.

(ii) Segmental information

The chief operating decision-maker has been identified as the Committee of Executive Directors of the Company. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Committee of Executive Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Committee of Executive Directors considers the business from both a product and geographical perspectives. From a product perspective, management assesses the performance from sales of yarn, grey fabrics and garment fabrics. The operations are further evaluated on a geographic basis including Mainland China, Vietnam, Macao and Hong Kong.

The Committee of Executive Directors assesses the performance of the operating segments based on revenue and operating profit.

The segment information for the year ended 31 December 2010 is as follows:

	Year ended 31 December 2010						
	Yarn				Grey fabrics	Garment fabrics	Total
	Mainland China	Vietnam	Macao	Hong Kong	Mainland China	Mainland China	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total revenue	4,285,738	1,646,082	1,847,828	135,363	918,845	143,306	8,977,162
Inter-segment revenue	(489,404)	(1,108,949)	(1,794,652)	(112,559)	-	-	(3,505,564)
Revenue (from external customers)	3,796,334	537,133	53,176	22,804	918,845	143,306	5,471,598
Segment results	552,984	254,800	149,265	926	39,324	15,126	1,012,425
Unallocated expenses							(27,388)
Operating results							985,037
Finance income							2,792
Finance costs							(46,358)
Share of profit of an associate							8,702
Income tax expense							(109,039)
Profit for the year							841,134
Depreciation and amortisation	(68,038)	(53,189)	(9)	(192)	(20,730)	(2,310)	(144,468)

The segment information for the year ended 31 December 2009 is as follows:

	Year ended 31 December 2009						
	Yarn				Grey fabrics	Garment fabrics	Total
	Mainland China	Vietnam	Macao	Hong Kong	Mainland China	Mainland China	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total revenue	3,150,612	1,161,548	503,582	217,518	770,874	120,053	5,924,187
Inter-segment revenue	(306,949)	(822,293)	(503,582)	(202,927)	-	-	(1,835,751)
Revenue (from external customers)	2,843,663	339,255	-	14,591	770,874	120,053	4,088,436
Segment results	182,970	150,572	5,365	(5,594)	20,469	15,897	369,679
Unallocated expenses							(6,983)
Operating results							362,696
Finance income							3,985
Finance costs							(49,136)
Share of profit of an associate							286
Income tax expense							(32,266)
Profit for the year							285,565
Depreciation and amortisation	(58,960)	(40,876)	(9)	(274)	(19,944)	(3,050)	(123,113)

The segment assets and liabilities as at 31 December 2010 are as follows:

	As at 31 December 2010							
	Yarn					**Grey fabrics**	**Garment fabrics**	**Total**
	Mainland China	**Vietnam**	**Macao**	**Hong Kong**	**Sub-total**	**Mainland China**	**Mainland China**	
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Total segment assets	**2,919,594**	**1,197,406**	**114,040**	**4,348**	**4,235,388**	**538,049**	**99,705**	**4,873,142**
Unallocated assets								**36,098**
Total assets of the Group								**4,909,240**
Total segment liabilities					**(2,011,165)**	**(143,589)**	**(14,272)**	**(2,169,026)**
Unallocated liabilities								**(531,039)**
Total liabilities of the Group								**(2,700,065)**
Capital expenditure	**243,253**	**238,485**	**19**	**69**	**481,826**	**3,332**	**100**	**485,258**

The segment assets and liabilities as at 31 December 2009 are as follows:

	As at 31 December 2009							
	Yarn					Grey fabrics	Garment fabrics	Total
	Mainland China	Vietnam	Macao	Hong Kong	Sub-total	Mainland China	Mainland China	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total segment assets	1,738,945	972,994	13,753	21,749	2,747,441	451,783	96,281	3,295,505
Unallocated assets								2,197
Total assets of the Group								3,297,702
Total segment liabilities					(1,238,149)	(111,267)	(14,940)	(1,364,356)
Unallocated liabilities								(446,681)
Total liabilities of the Group								(1,811,037)
Capital expenditure	67,486	57,141	-	447	125,074	7,765	1,891	134,730

3. OTHER INCOME AND LOSSES, NET

	2010	2009
	RMB'000	*RMB'000*
Other income		
Subsidy income	**49,517**	15,077
Government grants relating to the relocation of a subsidiary	**–**	2,624
Re-investment incentive base on income tax paid	**–**	983
Others	**–**	1,986
Total other income	**49,517**	20,670
Other losses		
Derivative financial liability at fair value through profit or loss:		
– Unrealised loss	**(33,532)**	(305)
– Realised loss	**(8,180)**	(1,605)
Net foreign exchange losses	**(2,742)**	(1,481)
Others	**5,162**	2,290
Total other losses	**(39,292)**	(1,101)

The subsidy income mainly related to incentives for development in Xuzhou, Mainland China and grants provided by municipal governments based on the amounts of value added tax and income tax paid.

4. EXPENSES BY NATURE

	2010	2009
	RMB'000	*RMB'000*
Changes in inventories of finished goods and work in progress	**(262,003)**	28,966
Raw materials and consumables used	**3,767,502**	2,877,017
Employment costs, including directors' emoluments	**391,074**	313,160
Depreciation and amortisation	**144,468**	123,113
Loss on disposal of property, plant and equipment	**4,014**	2,714
Office expense	**24,763**	20,239
Utilities	**241,017**	226,147
Transportation	**90,291**	90,114
Auditor's remuneration	**5,475**	4,097
Lease rental expense for buildings and machinery	**12,974**	11,903
Reversal of impairment of trade receivables	**(1,672)**	(4,294)
Provison for/(reversal of) inventory obsolescence	**581**	(9,393)
Other expenses	**78,302**	61,526
Total cost of sales, selling and distribution costs and general and administrative expenses	**4,496,786**	3,745,309

5. FINANCE INCOME AND COSTS

	2010	2009
	RMB'000	*RMB'000*
Interest expense – bank borrowings wholly repayable within five years	**70,449**	52,243
Less: amount capitalised in property, plant and equipment	**(126)**	(1,631)
	70,323	50,612
Exchange gain on financing activities	**(23,965)**	(1,476)
Finance costs – net	**46,358**	49,136
Finance income – interest income on bank deposits	**(2,792)**	(3,985)
Net finance costs	**43,566**	45,151

6. INCOME TAX EXPENSE

The amount of income tax charged to the consolidated income statement represents:

	2010	2009
	RMB'000	*RMB'000*
Mainland China enterprise income tax		
– Current tax on profits for the year	**113,556**	26,210
– Adjustment in respect of prior years	**(161)**	(162)
Deferred income tax	**(4,356)**	6,218
	109,039	32,266

(i) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising in or derived from Hong Kong during the year (2009: Nil).

(ii) Mainland China enterprise income tax ("EIT")

Subsidiaries established in Mainland China are subject to EIT at rates ranging from 22% to 25% during the year (2009: 20% to 25%).

Except for Texhong (China) Investment Co., Ltd., all other subsidiaries established in Mainland China, being wholly foreign owned enterprises, have obtained approvals from the relevant Mainland China Tax Bureau for their entitlement of exemption from EIT for the first two years and 50% reduction in EIT for the next three years, commencing from the earlier of the first profitable year after offsetting all unexpired tax losses carried forward from the previous years or 1 January 2008, in accordance with the relevant tax rules and regulations applicable to foreign investment enterprises in Mainland China.

(iii) Vietnam income tax

The subsidiary established in Vietnam is subject to income tax rate of 25% (2009: 25%). As approved by the relevant Tax Bureau in Vietnam provided that at least 5,000 employees are regularly employed, the subsidiary established in Vietnam is entitled to four years' exemption from income taxes followed by nine years of a 50% tax reduction and is entitled to a preferential income tax rate of 10% for 15 years, commencing from the first profitable year after offsetting the losses carried forward from the previous years. The Group is exempted from Vietnam income tax during the year (2009: Nil) as year 2008 is the first profit making year after offsetting prior years' losses.

The subsidiary established in Vietnam is also entitled to an alternative tax incentive based on its location in the Nhon Trach Industrial Zone with a preferential income tax rate of 15% for 12 years which includes three years' exemption from its first profitable year and a 50% reduction for the subsequent seven years.

(iv) Other income tax

The Company was incorporated in Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

The Company's subsidiaries established in the British Virgin Islands were incorporated under the International Business Companies Acts or the Business Companies Act, 2004 of the British Virgin Islands and, accordingly, are exempted from payment of British Virgin Islands income tax.

The subsidiary established in Macao is subject to income tax rate of 9% (2009: 9%). No provision for Macao profits tax has been made as the Group had no assessable profit arising in or derived from Macao during the year (2009: Nil).

7 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2010	2009
Profit attributable to equity holders of the Company (RMB'000)	**841,225**	285,565
Weighted average number of ordinary shares in issue (thousands)	**884,681**	884,681
Basic earnings per share (RMB per share)	**0.95**	0.32

(b) Diluted

Diluted earnings per share is the same as the basic earnings per share since the Company does not have diluted shares.

8. DIVIDENDS

The dividends paid in 2010 and 2009 were RMB143,307,000 (HKD0.185 per ordinary share) and RMB27,828,000 (HKD0.035 per ordinary share) respectively. A dividend in respect of the year ended 31 December 2010 of HKD0.17 per ordinary share, amounting to HKD150,396,000 (equivalent about RMB127,054,000), is to be proposed at the annual general meeting on 18 April 2011. These financial statements do not reflect this dividend payable.

	2010 *RMB'000*	2009 *RMB'000*
Interim dividend paid of HKD0.11 (2009: HKD0.035) per ordinary share	**84,938**	27,282
Proposed final dividend of HKD0.17 (2009: HKD0.075) per ordinary share	**127,054**	58,369
	211,992	85,651

9. TRADE AND BILLS RECERVABLES

	2010 *RMB'000*	2009 *RMB'000*
Trade receivables	**124,381**	92,932
Less: provision for impairment	**(1,264)**	(2,936)
	123,117	89,996
Bills receivables	**281,202**	345,469
	404,319	435,465

The fair values of trade and bills receivables approximate their carrying amounts.

As at 31 December 2010, no bills receivables (2009: RMB4,100,000) was pledged as collateral for issuance of letter of credits.

The Group generally grants credit terms of less than 90 days to its customers in Mainland China and 120 days to its customers in other countries. The ageing analysis of the trade and bills receivables by invoice date is as follows:

	2010	2009
	RMB'000	*RMB'000*
Within 30 days	**301,569**	229,247
31 to 90 days	**77,305**	119,999
91 to 180 days	**25,800**	85,516
181 days to 1 year	**–**	1,027
Over 1 year	**909**	2,612
	405,583	438,401
Less: provision for impairment	**(1,264)**	(2,936)
Trade and bills receivables – net	**404,319**	435,465

10. TRADE AND BILLS PAYABLES

	2010	2009
	RMB'000	*RMB'000*
Trade payables	**155,443**	243,267
Bills payables	**703,959**	267,335
	859,402	510,602

As at 31 December 2010, included in the trade payables was amount due to an associate of RMB270,000 (2009: RMB2,010,000)

The ageing analysis of the trade and bills payables (including amount due to a an associate of trading in nature) is as follows:

	2010	2009
	RMB'000	*RMB'000*
Within 90 days	**634,853**	326,513
91 to 180 days	**218,025**	180,288
181 days to 1 year	**4,646**	1,324
Over 1 year	**1,878**	2,477
	859,402	510,602

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

We are pleased to present the annual results of the Group for the year ended 31 December 2010 to the shareholders. During the period under review, under tight supply and strong demand of cotton, the cotton price kept rising. Nonetheless, with the concerted efforts of the entire staff in expanding our market and the consistent high quality of our products and services, the Group successfully transferred the rising costs to customers and secured a significant growth in turnover of 33.8% to RMB5,472 million compared with the corresponding period last year. Profit for the year set a record high for consecutive two years since incorporation. It increased by about 2 times to RMB841 million compared with the corresponding period last year. Profit for the year after excluding other income and exchange gain on financing activities also increased by about 2 times to RMB768 million compared with the corresponding period last year. Earnings per share for the year increased by about 2 times to RMB0.95 from RMB0.32 for the corresponding period last year.

Industry Review

China is a major textile manufacturing nation. According to the WTO, China is the world's largest textile and clothing exporting nation, accounting for 28.3% and 34% of the world's textile and clothing exports in 2009, respectively. China's textile industry has resumed growth based on a number of measures. According to the China National Textile and Apparel Council (the "CNTAC"), China's export of textile products for 2010 amounted to US$206 billion, representing a year-on-year increase of 23.65%. According to CEIC Data Company Ltd ("CEIC"), the gross industrial output value of textile enterprises in China for 2010 was RMB4,765 billion, representing an increase of 25.4% over the gross industrial output value in 2009. Besides, according to CEIC, investments in fixed assets in the Chinese textile industry for 2010 reached RMB403.6 billion, representing an increase of 30.13% as compared with 2009.

Meanwhile, the Chinese textile industry has been realigning toward domestic consumption, which is expected to be a continuing industry growth driver. Accounting to CEIC, domestic sales as a share of total industry sales have rised from 66.6% in 2002 to 81.37% in 2010. With a population of approximately 1.3 billion people, rapid economic growth, an increase in the disposable income of the general population and overall rising living standards, there is a significant potential for a continued rise in domestic demand for Chinese textile products.

Business Review

For the year ended 31 December 2010, the turnover of the Group was RMB5,472 million, representing an increase of 33.8% as compared with the corresponding period last year. The turnover comprises sales of yarns, grey fabrics and garment fabrics. Yarns continued to be the major product of the Group. Turnover thereof amounted to RMB4,409 million and accounted for 80.6% of the Group's total turnover. Compared with the corresponding period last year, sales volume of yarns only increased by 4.6% to 179,691 tonnes as the newly built up production capacity was modest and did not commence production until the second half of 2010. The increase in turnover thereof was mainly contributed by the increase of product selling price. The average unit selling price of yarn increased by 31.8% to RMB24,539 per ton from RMB18,614 per ton for the corresponding period last year mainly benefited from the rise in cotton price. The turnover of our grey fabrics amounted to RMB919 million and accounted for 16.8% of the Group's total turnover.

Our overall gross profit margin increased to 23.9% from 14.7% for the corresponding period last year. In 2010, strong demand on our products had led to quick pass-on of the increased raw materials cost to customers. The inventories on hand were also benefited from the upsurge in product selling price. The combined effect of the above boosted the profit margin of our yarns and drove our overall net profit margin for the year to 15.4% in 2010.

On 18 June 2010, the Group held the foundation laying ceremony of the Phase III 190,000 spindles expansion project in our plant in Vietnam. The whole project is expected to commence full production between late March and early April 2011, thereby effectively satisfying our customers' demand on our products. This development paves the way for further strengthening our division of labour and specialization of each production base, leading to potential improvement in our overall profitability. Currently, each production base in the Group has already achieved a primary division of labour and specialization. In 2010, cotton yarns, denim yarns and sythetic fibre yarns represented 43%, 39.5% and 17.5% of the total output of yarns respectively.

The Group has further strengthened the strategic cooperation with INVISTA North America S.à.r.l ("Invista") and Lenzing Fibers (Shanghai) Co., Ltd. ("Lenzing"). In 2010, the Group has successfully applied the spandex fibre FREEF!T™ invented and with patent owned by Invista to the production of stretchable core-spun yarns for making high-end shirt fabrics. The Group also continued to produce different high-end non-spandex core-spun yarns, high-end denim yarns and high-end knitted yarns using the cellulose-based Tencel® fiber, Modal® fiber and viscose fiber supplied by Lenzing. In addition, we commenced to apply polyester with environmental protection concept to produce blended yarns with other fibers, and strengthened cooperation with Toray of Japan. Our research and development centre in Changzhou has been developing and improving a wide variety of products in order to secure our leading position in the industry and to meet the demand of quality customers for different high-end products.

FUTURE OUTLOOK

In view of the continuous growth in domestic demand and rebound on textile products export, we believe that the Chinese textile industry will be able to maintain a steady growth. Also, due to the increasing demand for quality garments and fabrics, the domestic demand for high-quality differentiated yarn products is expected to increase in tandem with the expansion in consumption in the PRC. The management believes that in the foreseeable future, demand for the major products of the Group will be on the rise.

In January 2011, the Group has entered into a contract to acquire the land use right of a piece of land of about 67 hectares in Vietnam for expansion of our yarn spinning capacity of at least 600,000 spindles. In order to enjoy the tax privileges available in that new location, a new subsidiary will be set up to operate the new production facilities. This enables us to fully leverage the low cost production advantage in Vietnam and to secure the implementation of our continuous growth plan from 2011 to 2013.

The Group has been awarded as one of the top 20 enterprises in the Chinese cotton textiles industry for consecutive seven years by China National Textile and Apparel Council. Looking forward, we aim at improving our profitability through optimizing our existing product mix, developing new products that cater for the trend and demand of the market and fully leveraging the cost advantages of our plant in Vietnam. Coupled with our expansion of production capacity, we aim to sustain a high growth in profit and turnover and reinforce our competitiveness and leading position within the industry.

FINANCIAL REVIEW

Turnover

The Group's turnover comprises the sales of yarns, grey fabrics and garment fabrics. Due to the continuous strong domestic demand for high value-added core-spun cotton textile products and the increase in selling prices of yarns in tandem with the increase in raw material costs, the sales of yarns grew by about 38% in 2010. Turnover of the Group by products are shown below.

	2010	Gross profit margin	2009	Gross profit margin	Turnover change between 2010 and 2009	Margin change between 2010 and 2009
	RMB'000		*RMB'000*			*percentage points*
Strechable core-spun yarns	2,971,642	28.6%	2,178,768	16.2%	36.4%	12.4
Other yarns	1,437,805	23.6%	1,018,741	16.3%	41.1%	7.3
Strechable grey fabrics	687,920	10.6%	524,935	9.4%	31.0%	1.2
Other grey fabrics	230,925	10.2%	245,939	5.2%	-6.1%	5.0
Garment fabrics	143,306	15.7%	120,053	16.6%	19.4%	-0.9
Total	5,471,598	23.9%	4,088,436	14.7%	33.8%	9.2

The Chinese textile market is the Group's major market, accounting for 88% of our total turnover. The ten largest customers of the Group for 2010 are as follows:

SHAOGUAN SHUNCHANG WEAVING FACTORY CO., LTD.
FOSHAN SEAZON TEXTILE & GARMENT CO., LTD.
ZHEJIANG LIMAYUNSHAN TEXTILE CO., LTD.
ZHEJIANG YUANFENG TEXTILE CO., LTD
ZHEJIANG JIAERMEI TEXTILE CO., LTD
GUANGDONG QIANJIN JEANS CO., LTD.
YIXING LUCKY G AND L DYEING AND FINISHING CO., LTD.
ZHEJIANG QING MAO WEAVING, DYEING & PRINTING CO., LTD.
YIXING LUCKY G AND L DENIM CO., LTD.
ZHEJIANG HING FUNG WEAVING, DYEING & PRINTING CO., LTD.

The Group has more than 1,600 customers. As the Group mainly produces differentiated products, the Group does not rely on the orders from any single customer. The ten largest customers only accounted for 17.8% of the total turnover. The ten largest customers mentioned above have more than 4 years' trade relationship with the Group.

Gross profit and gross profit margin

With the upsurge in cotton price, through our efficient adjustment in selling prices and together with the benefit from the low cost inventory on hand, gross profit of the Group increased from RMB601 million to RMB1,309 million, representing an increase of 118% compared to last year. The overall gross profit margin also increased by 9.2 percentage point as compared with 2009.

Cost structure

Cost of sales increased by 19.4% to RMB4,163 million, which was mainly driven by the increase in raw material cost. Raw material cost accounted for about 83.3% of the total cost of sales. Cotton is our major raw material.

With the forecast that cotton will be in tight supply, the Group entered into certain cotton purchase contracts with major cotton suppliers in October 2010, so as to assure stable cotton supply for our production for the first half of 2011. Generally speaking, since the Group adopts pricing strategy on a cost-plus basis, the Group will only consider entering into long-term cotton purchase contracts when the forecasted cotton supply is tight.

In November 2010, the Group has sold certain futures contracts in respect of 25,000 tonnes of cotton to hedge against its exposure to fluctuations of cotton price for part of the inventories on hand and the committed cotton purchase obligations. As at 31 December 2010, the Group recorded an unrealized loss at fair value of RMB33.5 million in respect of those futures contracts as a result of the increase of cotton price at the end of the year. Management expects to square those futures contracts when the above said expsoure has been reduced after consumption of the cotton and sale of finished goods in the first half of 2011.

Selling and distribution costs

For the year ended 31 December 2010, the Group's selling and distribution costs amounted to RMB129 million, representing an increase of 12.9% compared to that of last year. The increase was attributable to the increase in salaries and transportation cost due to increase in sales volume.

General and administrative expenses

During the year, the Group's general and administrative expenses increased by 42.4% to RMB205 million, which amounted to 3.7% of the Group's turnover. The increase was mainly attributable to the increase of staff's salaries and bonus due to good operating performance for the year and general increase in various office expenses.

Cash flow

	2010	2009
	RMB'000	*RMB'000*
Net cash generated from operating activities	**470,143**	368,031
Net cash used in investing activities	**(340,114)**	(126,386)
Net cash inflow from/(used in) financing activities	**47,434**	(162,654)
Cash and cash equivalents at 31 December	**569,466**	392,003

For the year ended 31 December 2010, net cash generated from operating activities amounted to RMB470 million. The increase in net cash inflow from operating activities was contributed by the increase in net profit but being partly offset by the increase in inventories. In view of potential tight cotton supply in 2011, additional inventories had been built up in 2010, net cash flow from operating activities would be significantly higher if the cotton supply is not as tight as forecasted. The net cash used in investing activities amounted to RMB340 million, which was mainly used for the payment of capital expenditures of new factories built in Xuzhou of the PRC and in Vietnam . During the year under review, the net cash generated from financing activities amounted to RMB47 million, mainly contributed by the increase in bank borrowings.

Liquidities and financial resources

As at 31 December 2010, the Group's bank and cash balances (including pledged bank deposits) amounted to RMB604.7 million (as at 31 December 2009: RMB407.9 million). As a result of the increase of raw material prices in 2010, the Group's inventories increased by RMB672.2 million to RMB1,386.9 million and our trade and bill receivables decreased by RMB31.2 million to RMB404.3 million (as at 31 December 2009: RMB714.7 million and RMB435.5 million). The inventory turnover days and trade and bill receivable turnover days were 92 days and 28 days respectively, compared to 74 days and 40 days in 2009. The increase in inventory turnover days was mainly attributable to the upsurge in raw material price and stock up of inventories. The trade and bills receivables turnover days decreased mainly being benefitted from the strong product demand.

Trade and bills payable increased by RMB348.8 million to RMB859.4 million as at 31 December 2010 (as at 31 December 2009: RMB510.6 million), the turnover days were 60 days being the same as last year. The increase in trade and bills payable was mainly attributable to the higher raw material price.

The Group increased the total bank borrowings by RMB256 million to RMB1,240 million as at 31 December 2010 mainly due to the increase in demand for working capital. Current bank borrowings decreased by RMB98 million to RMB610 million while non-current bank borrowings increased by RMB353 million to RMB630 million. To make the capital structure more capable for the long-term development of the Group's business, the Group completed the issue of unsecured five-year senior notes of US$200 million on 19 January 2011 which helped further optimize the proportion between long-term loan and short-term loan of the Group.

As at 31 December 2010, the Group's financial ratios were as follows:

	2010	2009
Current ratio	**1.43**	1.11
Debt to equity ratio	**0.56**	0.66
Net debt to equity ratio	**0.29**	0.39

Borrowings

As at 31 December 2010, the Group's total bank borrowings amounted to RMB1,240 million, among which RMB488 million (39.3%) were denominated in Renminbi, RMB744 million (60.0%) were denominated in United States dollars and RMB8 million (0.7%) were denominated in Hong Kong dollars. These bank borrowings borne interest at interest rates ranging from 2.1% to 6.8% per annum (2009: 1.5% to 6.8%).

As at 31 December 2010, the Group has outstanding current bank borrowings of RMB610 million (2009: RMB708 million). Current bank borrowings managed to decrease after a successful refinancing of the syndicated loan amounted to USD38 million in June 2010.

In respect of the Group's borrowings, the Group has to comply with certain restrictive financial covenants.

Foreign exchange risk

The Group mainly operates in the Mainland China and Vietnam. Most of the Group's transactions, assets and liabilities are denominated in RMB and USD. Foreign exchange risk may also arise from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposures. The Group's exposure to foreign exchange risk is mainly attributable to its bank borrowings denominated in USD.

Since majority of the Group's income is settled in RMB, with the expectation of RMB appreciation against USD, the Group has not taken foreign exchange hedging on expenses and borrowings denominated in USD and Vietnam Dong.

Capital expenditures

For the year ended 31 December 2010, the capital expenditure of the Group amounted to RMB485 million (2009: RMB135 million). It was mainly comprised of the investment of fixed asset in the new plants in Xuzhou of the PRC and Vietnam.

Contingent liabilities

As at 31 December 2010, the Group had no material contingent liabilities.

Disclosure pursuant to Rule 13.18 of the Listing Rules

As announced by the Company on 26 April 2010, by an agreement dated 26 April 2010 ("Facility Agreement") entered into by, among others, the Company as borrower and a syndicate of banks and financial institutions as lenders, the lenders have agreed to grant a loan facility ("Facility") of up to the principal amount of US$43,000,000 for refinancing of the Group's existing indebtedness. The Facility is for a term of three years and is unsecured. The Facility Agreement contains the usual cross default provisions and a further requirement that Mr. Hong Tianzhu shall remain the chairman of the Company's board of directors and the Company's single largest shareholder. A breach of such requirement will constitute an event of default under the Facility Agreement, and as a result, the Facility is liable to be declared immediately due and repayable. The occurrence of such circumstance may trigger the cross default provisions of other banking/credit facilities available to the Group and, as a possible consequence, these other facilities may also be declared to be immediately due and repayable.

As announced by the Company on 12 January 2011, the Company and certain of its subsidiaries entered into a purchase agreement with Deutsche Bank AG, Singapore Branch, in connection with the issue of US$200 million 7.625% senior notes ("Notes") due 2016. The indenture ("Indenture") governing the Notes provides that upon the occurrence of a change of control triggering event, the Company will make an offer to purchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the offer to purchase payment date.

A change of control under the Indenture includes, among others, any transaction that results in either (i) the Permitted Holders (as defined below), which include Mr. Hong Tianzhu, the controlling shareholder of the Company and companies controlled by him, being the beneficial owners (as such term is used in the Indenture) of less than 50.1% of the total voting power of the voting stock of the Company; or (ii) any person or group (as such terms are used in the Indenture) is or becomes the beneficial owner, directly or indirectly, of total voting power of the voting stock of the Company greater than such total voting power held beneficially by the Permitted Holders. "Permitted Holders" means any or all of (1) Messrs. Hong Tianzhu and Zhu Yongxiang; (2) any affiliate of the persons specified in paragraph (1); and (3) any person both the capital stock and the voting stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% by persons specified in paragraphs (1) and (2) above.

As at the date of this announcement, the Company is in compliance with the Facility Agreement and the Indenture.

Human resources

As at 31 December 2010, the Group had a total workforce of 12,925 (as at 31 December 2009: 13,596), of whom 10,056 were located throughout our manufacturing plants in China, 174 were based in Shanghai, 2,687 were located at the Group's production base in Vietnam and 8 were based in Hong Kong and Macao. New employees were recruited to cater for the Group's business expansion during the year. The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options may also be granted to eligible staff based on individual and Group's performance. The Group is committed to nurturing a learning and sharing culture in the organization. Heavy emphasis is placed on the training and development of individual staff and team building, as the Group's success is dependent on the contributions of all functional divisions comprising skilled and motivated staff.

Dividend policy

The Board intends to maintain a long term, stable dividend payout ratio of about 30% of the Group's net profit for the year, providing shareholders with an equitable return. The Board has resolved to declare a final dividend of 17 HK cents per share in respect of the year ended 31 December 2010 to shareholders whose names appear on the register of members on 18 April 2011 and will be payable on or about 29 April 2011, subject to the approval by the shareholders at the forthcoming Annual General Meeting on 18 April 2011. An interim dividend of 11 HK cents per share was paid by the Company on 20 September 2010.

Closure of register of members

The Register of Members of the Company will be closed from 12 April 2011 to 18 April 2011, both days inclusive, during which period no transfer of shares can be registered. To qualify for attendance at the forthcoming Annual General Meeting and for the proposed final dividend, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 11 April 2011.

Purchase, sale and redemption of the listed securities of the Company

There was no purchase, sale or redemption of the Company's listed shares by the Company or its subsidiaries during the year ended 31 December 2010.

Corporate Governance

The Company was committed to maintaining high level of corporate governance and has steered its development and protected the interests of its shareholders in an enlightened and open manner. The Board comprises four executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Code of Corporate Governance Practices ("Code Provisions") set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited. During the reporting period, the Company had complied with the Code Provisions except for the following deviation:

Code A.2.1

Code A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Hong Tianzhu is the chairman and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly every three months to discuss issues affecting operations of the Company. The Board believes that this structure is conductive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Hong and believes that his appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Group.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms not less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules ("Model Code"). After specific enquiry made by the Company, all of the Directors confirmed that they had complied with the required standards set out in the Model Code and the code of conduct regarding the Directors' securities transactions during the reporting period.

Audit Committee

The Company has established an audit committee which comprises three independent non-executive Directors, including Mr. Ting Leung Huel, Stephen, Ms. Zhu Lanfen and Mr. Cheng Longdi. Mr. Ting Leung Huel, Stephen is the chairman of the audit committee. The rights and duties of the audit committee comply with the Code Provisions. The audit committee is responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Board of Directors. The committee met in a semi-annual basis and the review covers the findings of internal auditors, internal controls, risk management and financial reporting matters.

The audit committee has discussed with the management and reviewed the annual results for the year ended 31 December 2010.

Remuneration committee

The remuneration committee of the Directors comprises three independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Ms. Zhu Lanfen and Mr. Cheng Longdi and the chairman and executive Director, namely, Mr. Hong Tianzhu. Mr. Ting Leung Huel, Stephen is the chairman of the remuneration committee. The remuneration committee has rights and duties consistent with those set out in the Code Provisions. The remuneration committee is principally responsible for formulating the Group's policy and structure for all remunerations of the Directors and senior management and providing advice and recommendations to the Board of Directors.

Publications of results announcement

This results announcement is published on the websites of the Company (www.texhong.com) and The Stock Exchange of Hong Kong Limited (www.hkex.com.hk). An annual report for the year ended 31 December 2010 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

Acknowledgement

The Directors would like to take this opportunity to express our sincere thanks to all the shareholders and business associates for their continuous support and the entire staff for their dedication and contribution to the Group during the year.

By order of the Board
Texhong Textile Group Limited
Hong Tianzhu
Chairman

Hong Kong
28 February 2011

As at the date of this announcement, the Board comprises the following directors:

Executive directors:	Mr. Hong Tianzhu Mr. Zhu Yongxiang Mr. Gong Zhao Mr. Tang Daoping
Independent non-executive directors:	Mr. Ting Leung Huel, Stephen Ms. Zhu Lanfen Prof. Cheng Longdi