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**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)**

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**FINANCIAL HIGHLIGHTS**

- Revenue increased by 35.5% to a record high of RMB26.5 billion
- Gross profit margin increased by 8.3 percentage points to 22.1%
- Net profit margin increased by 7.6 percentage points to 10.3%
- Profit attributable to shareholders increased by 419.3% to a record high of RMB2.69 billion
- Basic earnings per share was RMB2.93
- The Board declared for the payment of a final dividend of 57 HK cents per share

The board (the “Board”) of directors (the “Directors”) of Texhong Textile Group Limited (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 2021, together with the comparative figures for 2020.

## Consolidated Income Statement

For the year ended 31 December 2021

		Year ended 31 December	
		2021	2020
	Note	RMB'000	RMB'000
Revenue	2	26,521,193	19,576,938
Cost of sales	4	(20,669,222)	(16,869,820)
<b>Gross profit</b>		<b>5,851,971</b>	<b>2,707,118</b>
Selling and distribution costs	4	(956,333)	(752,298)
General and administrative expenses	4	(1,451,697)	(1,034,040)
Net accrual of impairment losses on financial assets		(30,873)	(4,851)
Other income	3	95,543	179,106
Other losses — net	3	(85,414)	(239,384)
<b>Operating profit</b>		<b>3,423,197</b>	<b>855,651</b>
Finance income	5	44,589	50,774
Finance costs	5	(167,252)	(270,689)
Finance costs — net	5	(122,663)	(219,915)
Share of profits less losses of investments accounted for using the equity method		39,617	45,124
<b>Profit before income tax</b>		<b>3,340,151</b>	<b>680,860</b>
Income tax expense	6	(598,535)	(150,506)
<b>Profit for the year</b>		<b>2,741,616</b>	<b>530,354</b>
<b>Attributable to:</b>			
Owners of the Company		2,685,170	517,065
Non-controlling interests		56,446	13,289
		<b>2,741,616</b>	<b>530,354</b>
<b>Earnings per share for profit attributable to owners of the Company</b>			
— Basic earnings per share	7	<b>RMB2.93</b>	RMB0.57
— Diluted earnings per share	7	<b>RMB2.93</b>	RMB0.56

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
<b>Profit for the year</b>	<b>2,741,616</b>	530,354
<b>Other comprehensive losses</b>		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	<u>(1,838)</u>	<u>(2,023)</u>
<b>Total comprehensive income for the year</b>	<b><u>2,739,778</u></b>	<b><u>528,331</u></b>
<b>Attributable to:</b>		
Owners of the Company	<b>2,683,332</b>	515,042
Non-controlling interests	<b><u>56,446</u></b>	<u>13,289</u>
	<b><u>2,739,778</u></b>	<b><u>528,331</u></b>

## CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	<i>Note</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Freehold land		<b>163,957</b>	167,794
Property, plant and equipment		<b>9,229,119</b>	8,894,136
Right-of-use assets		<b>1,227,190</b>	1,324,417
Intangible assets		<b>69,078</b>	63,406
Long-term receivables		<b>292,000</b>	–
Investments accounted for using the equity method		<b>320,938</b>	290,075
Deferred income tax assets		<b>91,983</b>	89,712
		<b>11,394,265</b>	10,829,540
<b>Current assets</b>			
Inventories	9	<b>7,151,667</b>	3,795,718
Properties under development		<b>235,113</b>	228,680
Trade and bills receivables	10	<b>2,019,660</b>	1,735,593
Prepayments, deposits and other receivables		<b>890,817</b>	512,358
Derivative financial instruments	12	<b>55,653</b>	111,167
Pledged bank deposits		<b>190,302</b>	260,610
Cash and cash equivalents		<b>2,505,407</b>	2,683,613
		<b>13,048,619</b>	9,327,739
<b>Total assets</b>		<b>24,442,884</b>	20,157,279
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital: nominal value		<b>96,958</b>	96,709
Share premium		<b>462,059</b>	433,777
Other reserves		<b>907,534</b>	942,310
Retained earnings		<b>8,571,719</b>	6,390,471
		<b>10,038,270</b>	7,863,267
<b>Non-controlling interests</b>		<b>562,682</b>	609,471
<b>Total equity</b>		<b>10,600,952</b>	8,472,738

	<i>Note</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		<b>3,383,377</b>	3,225,622
Lease liabilities		<b>82,627</b>	125,229
Deferred income tax liabilities		<b>286,482</b>	292,659
Long-term payables		<b>–</b>	29,871
		<u><b>3,752,486</b></u>	<u>3,673,381</u>
<b>Current liabilities</b>			
Trade and bills payables	<i>11</i>	<b>4,576,337</b>	2,652,659
Contract liabilities		<b>361,634</b>	220,143
Accruals and other payables		<b>903,579</b>	811,632
Current income tax liabilities		<b>188,766</b>	69,984
Borrowings		<b>3,831,662</b>	3,837,481
Derivative financial instruments	<i>12</i>	<b>165,975</b>	234,704
Lease liabilities		<b>31,622</b>	60,516
Long-term payables due within 1 year		<b>29,871</b>	124,041
		<u><b>10,089,446</b></u>	<u>8,011,160</u>
<b>Total liabilities</b>		<u><b>13,841,932</b></u>	<u>11,684,541</u>
<b>Total equity and liabilities</b>		<u><b>24,442,884</b></u>	<u>20,157,279</u>

## NOTES:

### 1. GENERAL INFORMATION, BASIS OF PREPARATION AND ACCOUNTING POLICIES

Texhong Textile Group Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the manufacturing and sales of yarns, grey fabrics, non-woven fabrics and garment fabrics as well as garments.

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, PO 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.

The annual results set out in this announcement do not constitute the Group’s consolidated financial statements for the year ended 31 December 2021 but are extracted from those financial statements.

These consolidated financial statements are presented in Chinese Renminbi (“RMB”), unless otherwise stated. These consolidated financial statements have been approved and authorised for issue by the Board of Directors of the Company on 16 March 2022.

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 the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs). 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, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

#### 1.1 Changes in accounting policies and disclosures

##### *(a) Amendments to HKFRSs adopted by the Group in 2021*

A number of amendments to existing standards became applicable for the current reporting period. These amendments to existing standards did not give rise to any significant impact on the Group’s financial statements. These amendments are set out below:

##### *(i) Interest rate benchmark reform — Phase 2 — amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16*

In August 2020, the HKICPA made amendments to HKFRS 9, HKAS 39, HKRS 7, HKFRS 4 and HKFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.

The Phase 2 amendments provide the following reliefs:

- When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement.
- The hedge accounting reliefs will allow most HKAS 39 or HKFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition.

***(b) The following new standard and amendments to HKFRSs have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group:***

- (i) Amendments to HKAS 16 regarding property, plant and equipment, proceeds before intended use, effective for annual periods beginning on or after 1 January 2022.
- (ii) Amendments to HKAS 37 regarding onerous contracts — cost of fulfilling a contract, effective for annual periods beginning on or after 1 January 2022.
- (iii) Amendments to HKFRS 3 regarding reference to the conceptual framework, effective for annual periods beginning on or after 1 January 2022.
- (iv) Revised to Accounting Guideline 5 regarding merger accounting for common control combinations, effective for annual periods beginning on or after 1 January 2022.
- (v) Amendments to HKAS 1 regarding classification of liabilities as current or non-current, effective for annual periods beginning on or after 1 January 2023.
- (vi) HKFRS 17 'Insurance Contracts', effective for annual periods beginning on or after 1 January 2023.
- (vii) Annual Improvements to HKFRS Standards 2018–2020, effective for annual periods beginning on or after 1 January 2022.
- (viii) Hong Kong Interpretation 5 (2020) regarding presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause, effective for annual periods beginning on or after 1 January 2023.
- (ix) Amendments to HKAS 1 and HKFRS Practice Statement 2 regarding disclosure of Accounting Policies, effective for annual periods beginning on or after 1 January 2023.

- (x) Amendments to HKAS 8 regarding definition of Accounting Estimates, effective for annual periods beginning on or after 1 January 2023.
- (xi) Amendments to HKAS 12 regarding deferred Tax related to Assets and Liabilities arising from a Single Transaction, effective for annual periods beginning on or after 1 January 2023.
- (xii) Amendments to HKFRS 10 and HKAS 28 regarding sale or contribution of assets between an investor and its associate or joint venture, originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.

## **2. REVENUE AND SEGMENTAL INFORMATION**

The Group is principally engaged in the manufacturing and sales of yarns, grey fabrics, non-woven fabrics and garment fabrics as well as garments. Revenues recognised for the period ended represented sales of goods, net of value-added tax.

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 perspective. From a product perspective, management assesses the performance from sales of yarns, grey fabrics, non-woven fabrics and garment fabrics as well as garments.

Due to the continuous improvement of the regional integration process, the Group shows homogeneity of operation and management in the same geographical area. As a consequence, the Committee of Executive Directors integrated the segment information in the same area.

China now includes Mainland China, Hong Kong and Macao. Southeast Asia now includes Vietnam and Cambodia. Americas now includes United States, Mexico and Nicaragua.

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 2021 is as follows:

	Year ended 31 December 2021											
	Yarns				Garment fabrics and Garments			Grey fabrics		Non-woven fabrics		Total
	Southeast		Americas	Others	Southeast		Americas	Southeast		China	Southeast	Total
	China	Asia			China	Asia		China	Asia			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Total revenue	26,900,083	9,193,801	101,476	478,657	4,494,406	943,819	1,153,676	808,965	577,326	110,121	156,853	44,919,183
Inter-segment revenue	(7,913,992)	(8,008,375)	(101,476)	(7,387)	(323,615)	(861,212)	(240,555)	(222,130)	(575,719)	-	(143,529)	(18,397,990)
<b>Revenue (from external customers)</b>	<u>18,986,091</u>	<u>1,185,426</u>	<u>-</u>	<u>471,270</u>	<u>4,170,791</u>	<u>82,607</u>	<u>913,121</u>	<u>586,835</u>	<u>1,607</u>	<u>110,121</u>	<u>13,324</u>	<u>26,521,193</u>
Timing of revenue recognition — At a point in time	<u>18,986,091</u>	<u>1,185,426</u>	<u>-</u>	<u>471,270</u>	<u>4,170,791</u>	<u>82,607</u>	<u>913,121</u>	<u>586,835</u>	<u>1,607</u>	<u>110,121</u>	<u>13,324</u>	<u>26,521,193</u>
<b>Segment results</b>	<b>1,297,843</b>	<b>1,660,822</b>	<b>(22,916)</b>	<b>101,391</b>	<b>354,797</b>	<b>31,181</b>	<b>21,874</b>	<b>84,086</b>	<b>33,018</b>	<b>(6,001)</b>	<b>(5,222)</b>	<b>3,550,873</b>
Unallocated losses												<u>(127,676)</u>
<b>Operating profit</b>												<b>3,423,197</b>
Finance income												44,589
Finance costs												(167,252)
Share of profits less losses of investments accounted for using the equity method												39,617
Income tax expense												<u>(598,535)</u>
<b>Profit for the period</b>												<u><b>2,741,616</b></u>
Depreciation and amortisation	<u>(453,526)</u>	<u>(310,362)</u>	<u>(17,673)</u>	<u>(16,676)</u>	<u>(102,897)</u>	<u>(43,613)</u>	<u>(33,183)</u>	<u>(12,667)</u>	<u>(23,747)</u>	<u>-</u>	<u>(23,212)</u>	<u>(1,037,556)</u>

The segment information for the year ended 31 December 2020 is as follows:

	Year ended 31 December 2020											Total RMB'000
	Yarns				Garment fabrics and Garments			Grey fabrics		Non-woven fabrics		
	Southeast		Americas	Others	Southeast		Americas	Southeast		Southeast		
	China	Asia			China	Asia		China	Asia	China	Asia	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Total revenue	19,694,736	7,044,903	19,535	172,314	3,090,115	678,469	756,862	625,724	381,558	56,105	60,010	32,580,331
Inter-segment revenue	(5,185,193)	(6,524,519)	(19,535)	–	(106,159)	(528,971)	(74,128)	(129,806)	(380,675)	–	(54,407)	(13,003,393)
<b>Revenue (from external customers)</b>	<u>14,509,543</u>	<u>520,384</u>	<u>–</u>	<u>172,314</u>	<u>2,983,956</u>	<u>149,498</u>	<u>682,734</u>	<u>495,918</u>	<u>883</u>	<u>56,105</u>	<u>5,603</u>	<u>19,576,938</u>
Timing of revenue recognition												
– At a point in time	<u>14,509,543</u>	<u>520,384</u>	<u>–</u>	<u>172,314</u>	<u>2,983,956</u>	<u>149,498</u>	<u>682,734</u>	<u>495,918</u>	<u>883</u>	<u>56,105</u>	<u>5,603</u>	<u>19,576,938</u>
<b>Segment results</b>	435,296	385,254	(17,908)	(20,432)	129,222	47,627	(14,070)	9,048	9,715	944	12,598	977,294
Unallocated losses												(121,643)
<b>Operating profit</b>												855,651
Finance income												50,774
Finance costs												(270,689)
Share of profits less losses of investments accounted for using the equity method												45,124
Income tax expense												(150,506)
<b>Profit for the period</b>												<u>530,354</u>
Depreciation and amortisation	<u>(447,376)</u>	<u>(332,851)</u>	<u>(832)</u>	<u>(15,533)</u>	<u>(103,770)</u>	<u>(44,592)</u>	<u>(21,873)</u>	<u>(7,685)</u>	<u>(23,477)</u>	<u>–</u>	<u>(5,681)</u>	<u>(1,003,670)</u>

The segment assets and liabilities as at 31 December 2021 are as follows:

	As at 31 December 2021											Total RMB'000
	Yarns				Garment fabrics and Garments			Grey fabrics		Non-woven fabrics		
	Southeast		Americas	Others	Southeast		Americas	Southeast		Southeast		
	China	Asia			China	Asia		China	Asia	China	Asia	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Total segment assets</b>	11,095,040	5,169,955	591,340	408,889	3,686,870	1,250,814	677,472	201,580	351,632	17,548	586,538	24,037,678
Unallocated assets												405,206
<b>Total assets of the Group</b>												<u>24,442,884</u>
<b>Total segment liabilities</b>	(3,416,648)	(4,190,308)	(388,146)	(271,000)	(749,688)	(970,023)	(418,489)	(80,137)	(311,360)	(804)	(477,171)	(11,273,774)
Unallocated liabilities												(2,568,158)
<b>Total liabilities of the Group</b>												<u>(13,841,932)</u>
Addition to non-current assets	<u>885,199</u>	<u>609,513</u>	<u>252,939</u>	<u>19,835</u>	<u>215,009</u>	<u>262,413</u>	<u>69,110</u>	<u>21,104</u>	<u>871</u>	<u>–</u>	<u>10,614</u>	<u>2,346,607</u>

The segment assets and liabilities as at 31 December 2020 are as follows:

	As at 31 December 2020											Total RMB'000
	Yarns				Garment fabrics and Garments			Grey fabrics		Non-woven fabrics		
	Southeast		Americas	Others	Southeast		Americas	Southeast		China	Southeast	
	China	Asia			China	Asia		China	Asia			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
<b>Total segment assets</b>	9,309,102	4,156,144	397,829	396,007	3,206,076	986,656	615,563	174,788	271,633	10,884	578,669	20,103,351
Unallocated assets												53,928
<b>Total assets of the Group</b>												<u>20,157,279</u>
<b>Total segment liabilities</b>	(3,668,124)	(2,369,948)	(336,565)	(365,684)	(736,773)	(816,676)	(396,447)	(59,681)	(257,611)	(422)	(425,143)	(9,433,074)
Unallocated liabilities												(2,251,467)
<b>Total liabilities of the Group</b>												<u>(11,684,541)</u>
<b>Addition to non-current assets</b>	<u>115,379</u>	<u>32,815</u>	<u>32,026</u>	<u>14,349</u>	<u>103,838</u>	<u>71,667</u>	<u>48,509</u>	<u>171</u>	<u>-</u>	<u>-</u>	<u>121,041</u>	<u>539,795</u>

### 3. OTHER INCOME AND OTHER LOSSES — NET

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Other income		
Subsidy income (a)	<u><b>95,543</b></u>	<u>179,106</u>
Other losses — net		
Gains on acquisition of subsidiaries	<b>13,665</b>	—
Gains on disposal of subsidiaries	<b>33,702</b>	—
Derivative financial instruments at fair value through profit or loss:		
— Realised (losses)/gains	<b>(133,302)</b>	70,822
— Unrealised gains/(losses)	<b>13,214</b>	(381,443)
Net foreign exchange (losses)/gains — net	<b>(33,136)</b>	56,106
Others	<u><b>20,443</b></u>	<u>15,131</u>
<b>Total other losses — net</b>	<u><b>(85,414)</b></u>	<u>(239,384)</u>

- (a) The subsidy income was mainly related to incentives for development in Mainland China provided by municipal governments based on the amounts of value added tax and income tax paid. The Group has received all the subsidy income and there was no future obligation related to these subsidy income.

#### 4. EXPENSES BY NATURE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Raw materials and consumables used	<b>16,898,906</b>	12,495,164
Changes in inventories of finished goods and work in progress	<b>(626,277)</b>	410,298
Employment benefit expenses	<b>2,888,955</b>	2,372,271
Depreciation and amortisation	<b>1,037,556</b>	1,003,670
Impairment charges on property, plant and equipment	<b>57,202</b>	16,863
(Gains)/losses on disposal of property, plant and equipment	<b>(1,394)</b>	7,289
Office expenses	<b>88,317</b>	82,420
Utilities	<b>1,541,231</b>	1,255,052
Transportation costs	<b>528,214</b>	413,773
Auditor's remuneration		
— Annual audit services	<b>4,300</b>	3,725
— Non-audit services	<b>780</b>	893
Rental expenses for buildings and machinery	<b>4,195</b>	2,714
Net accrual of provision for decline in value of inventories	<b>16,177</b>	70,287
Other expenses	<b>639,090</b>	521,739
	<hr/>	<hr/>
Total cost of sales, selling and distribution costs and general and administrative expenses	<b><u>23,077,252</u></b>	<b><u>18,656,158</u></b>

#### 5. FINANCE COSTS — NET

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest expenses		
— borrowings	<b>195,620</b>	353,604
— long term payables	<b>5,895</b>	11,121
— lease liabilities	<b>5,393</b>	6,215
	<hr/>	<hr/>
	<b>206,908</b>	370,940
Net exchange gains on financing activities	<b>(39,656)</b>	(100,251)
	<hr/>	<hr/>
Finance costs	<b>167,252</b>	270,689
	<hr/>	<hr/>
Finance income — interest income on bank deposits	<b>(44,589)</b>	(50,774)
	<hr/>	<hr/>
Net finance costs	<b><u>122,663</u></b>	<b><u>219,915</u></b>

## 6. INCOME TAX EXPENSE

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax on profits for the year	584,511	131,344
Deferred income tax	<u>14,024</u>	<u>19,162</u>
	<u><u>598,535</u></u>	<u><u>150,506</u></u>

### (a) Hong Kong profits tax

Subsidiaries incorporated in Hong Kong are subject to profits tax at rate of 16.5% (2020:16.5%).

### (b) Mainland China enterprise income tax (“EIT”)

Effective from 1 January 2008, the subsidiaries established in Mainland China are required to determine and pay the EIT in accordance with the Corporate Income Tax Law of the PRC (the “New CIT Law”) as approved by the National People’s congress on 16 March 2007 and Detailed Implementations Regulations of the New CIT Law (the “DIR”) as approved by the State Council on 6 December 2007. According to the New CIT Law and DIR, subsidiaries established in Mainland China are subject to EIT at rate of 25% during the year (2020: 25%).

As approved by the relevant tax bureau in Mainland China, sixteen subsidiaries are entitled to a preferential tax rate of 15% during 2021 (2020: eleven subsidiaries are entitled to a preferential tax rate of 15%). Such preferential tax treatments require annual assessment on meeting the stipulated conditions and re-application to maintain the lower tax rate status every few years.

### (c) Vietnam income tax

The income tax for the major subsidiaries in Vietnam are as below:

As approved by the relevant tax bureau in Vietnam, one subsidiary established in Vietnam should separately calculate income tax on its initial supplementary investments. The initial investment of the subsidiary is entitled to three years’ exemption from income taxes followed by seven years of a 50% tax reduction and is further entitled to a preferential income tax rate of 15% for 12 years. The first supplementary investment of the subsidiary is entitled to three years’ exemption from income taxes followed by five years of a 50% tax reduction based on the income tax rate of 20% (2020: 20%). The second supplementary investment of the subsidiary is entitled to two years’ exemption from income taxes followed by four years of a 50% tax reduction based on the income tax rate of 20% (2020: 20%).

As approved by the relevant tax bureau in Vietnam, other subsidiaries established in Vietnam are entitled to four years’ exemption for income taxes followed by nine years of a 50% tax reduction, commencing from the first profitable year after offsetting the losses carried forward from the previous years, and are entitled to a preferential income tax rate of 10% for 15 years, commencing from the first year generating income from the operation.

The applicable tax rates for all subsidiaries in Vietnam range from nil to 20% during the year (2020: nil to 20%).

**(d) Other income or profits tax**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies 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 Acts, 2004 of the British Virgin Islands and, accordingly, are exempted from payment of British Virgin Islands income tax.

The Company's subsidiary established in Macao is subject to income tax rate of 12% (2020: 12%). 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 (2020: nil).

The Company's subsidiary established in Uruguay is subject to income tax rate of 25% (2020: 25%). No provision for Uruguay profits tax has been made as the Group had no assessable profit arising in or derived from Uruguay during the year (2020: nil).

The Company's subsidiary established in Cambodia is subject to income tax at the rate of 20% (2020: 20%). No provision for Cambodia profits tax has been made as the Group had no assessable profit arising in or derived from the subsidiary during the year (2020: nil).

The Company's subsidiaries established in Nicaragua are subject to income tax at the rate of 30% (2020: 30%). As approved by relevant tax bureau in Nicaragua, the subsidiaries are entitled to exemption from profits tax during the year (2020: exempted).

The Company's subsidiaries established in Samoa are exempted from profits tax during the year (2020: exempted).

The Company's subsidiary established in Turkey is subject to income tax at the rate of 25% (2020: 22%).

The Company's subsidiaries established in the United States are subject to income tax rate within the range from 27.5% to 30% during the year (2020: 27.5% to 30%).

The Company's subsidiaries established in Mexico are subject to income tax at the rate of 30% (2020: 30%).

## 7. EARNINGS PER SHARE

### (a) Basic

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

	2021	2020
Profit attributable to owners of the Company ( <i>RMB'000</i> )	<u>2,685,170</u>	<u>517,065</u>
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<u>916,715</u>	<u>915,000</u>
Basic earnings per share ( <i>RMB per share</i> )	<u>2.93</u>	<u>0.57</u>

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the Company's share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2021	2020
Profit attributable to owners of the Company ( <i>RMB'000</i> )	<u>2,685,170</u>	<u>517,065</u>
<b>Weighted average number of ordinary shares in issue</b> ( <i>thousands</i> )	<b>916,715</b>	915,000
Adjustments for:		
— Share options ( <i>thousands</i> )	<u>904</u>	<u>189</u>
Weighted average number of ordinary shares for diluted earnings per share ( <i>thousands</i> )	<u>917,619</u>	<u>915,189</u>
Diluted earnings per share ( <i>RMB per share</i> )	<u>2.93</u>	<u>0.56</u>

## 8. DIVIDENDS

The dividend paid in 2021 were RMB527,576,000 (2020: RMB125,364,000), being HKD0.70 per ordinary share (2020: HKD0.15 ordinary share).

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Final dividend for the year ended 31 December 2020 of HKD0.20 (2019: HKD0.15) per ordinary share	<b>150,461</b>	125,364
Interim dividend for the year ended 31 December 2021 HKD 0.50 (2020: nil) per ordinary share	<b>377,115</b>	–
	<b><u>527,576</u></b>	<b><u>125,364</u></b>

A proposed final dividend in respect of the year ended 31 December 2021 of HKD0.57 (2020: HKD0.20) per ordinary share, amounting to a total dividend of RMB427,817,000 (2020: RMB154,013,000) is to be presented for approval by the shareholders at the annual general meeting of the Company on 6 May 2022. These financial statements do not reflect this as dividend payable.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Proposed final dividend for the year ended 31 December 2021 of HKD0.57 (2020: HKD0.20) per ordinary share	<b>427,817</b>	154,013

## 9. INVENTORIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Raw materials	<b>5,074,375</b>	2,344,703
Work-in-progress	<b>596,640</b>	446,589
Finished goods	<b>1,480,652</b>	1,004,426
	<b><u>7,151,667</u></b>	<b><u>3,795,718</u></b>

The cost of inventories recognised as expense and included in cost of sales amounted to RMB16,272,629,000 (2020: RMB12,905,462,000).

In 2021, the Group made an inventory provision of approximately RMB16,177,000 (2020: RMB70,287,000). These amounts have been included in 'cost of sales' in the consolidated income statement.



## 10. TRADE AND BILLS RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	1,293,965	881,453
Bills receivable	<u>737,022</u>	<u>869,217</u>
	2,030,987	1,750,670
Less: provision for impairment	<u>(11,327)</u>	<u>(15,077)</u>
	<u><u>2,019,660</u></u>	<u><u>1,735,593</u></u>

As at 31 December 2021, included in the trade receivables were amounts due from related parties of RMB31,428,000 (2020: RMB123,000).

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

As at 31 December 2021, no bills receivable was pledged as collateral for the Group's bank borrowings (2020: bills receivable with a total net book amount of RMB160,000,000 were pledged as collateral for the Group's bank borrowings).

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 (including amounts due from related parties of trading in nature) based on invoice date is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 30 days	1,489,902	1,101,062
31 to 90 days	422,564	448,412
91 to 180 days	93,535	168,690
181 days to 1 year	2,034	17,985
Over 1 year	<u>22,952</u>	<u>14,521</u>
	2,030,987	1,750,670
Less: provision for impairment	<u>(11,327)</u>	<u>(15,077)</u>
Trade and bills receivables — net	<u><u>2,019,660</u></u>	<u><u>1,735,593</u></u>

## 11. TRADE AND BILLS PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	1,433,658	784,824
Bills payable	<u>3,142,679</u>	<u>1,867,835</u>
	<u><u>4,576,337</u></u>	<u><u>2,652,659</u></u>

As at 31 December 2021, included in trade payables were amounts due to related parties of RMB25,111,000(2020: RMB8,568,000).

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

The ageing analysis of the trade and bills payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 90 days	3,801,252	2,121,441
91 to 180 days	750,893	485,176
181 days to 1 year	8,580	30,951
Over 1 year	<u>15,612</u>	<u>15,091</u>
	<u><u>4,576,337</u></u>	<u><u>2,652,659</u></u>

## 12. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Assets:		
Cotton option contracts ( <i>Note (a)</i> )	29,874	27,332
Forward foreign exchange contracts ( <i>Note (b)</i> )	19,869	62,690
Cross currency swap contracts ( <i>Note (c)</i> )	3,725	21,145
Cotton future contract ( <i>Note (d)</i> )	<u>2,185</u>	<u>–</u>
	<u><u>55,653</u></u>	<u><u>111,167</u></u>
Liabilities:		
Cross currency swap contracts ( <i>Note (c)</i> )	160,921	232,634
Cotton option contracts ( <i>Note (a)</i> )	2,998	2,001
Forward foreign exchange contracts ( <i>Note (b)</i> )	<u>2,056</u>	<u>69</u>
	<u><u>165,975</u></u>	<u><u>234,704</u></u>

Non-hedging derivatives are classified as current assets or liabilities.

*Notes:*

- (a) The cotton option contracts as at 31 December 2021 comprised nine contracts with notional principal amount of USD66,069,000 (2020: five contracts with notional principal amount of USD45,823,000).
- (b) The forward foreign exchange contracts as at 31 December 2021 comprised sixty-two contracts with notional principal amounts totaling RMB902,208,000 (2020: thirty-eight contracts with notional principal amounts totaling RMB2,306,552,000).
- (c) The cross currency swap contracts as at 31 December 2021 comprised twenty-six contracts with notional principal amounts totaling RMB3,490,612,000 (2020: twenty-one contracts with notional principal amounts totaling RMB3,543,954,000).
- (d) The cotton future contract as at 31 December 2021 comprised one contract with notional principal amount of USD5,850,000 (2020: nil).

## CHAIRMAN'S STATEMENT

### RESULTS

2021 was the year in which the global COVID-19 pandemic became normalized, and Chinese enterprises continued to be deeply affected by the evolving relations between the PRC and the United States. At the same time, domestic macro policies promoted many industrial reforms and strategic adjustments. Despite the complex and harsh external environment, the textile industry basically recovered from the impact of the pandemic due to the effective prevention and control measures adopted in the PRC. Moreover, the textile industry was able to achieve stable and positive development under the influence of factors such as strong demand in the first half of 2021, return of overseas orders, and the increase in product selling prices, thus paving the way for a favourable start to the development plan for the industry in the PRC in the next few years.

With respect to the Group, the adjustments made to internal business structure along with a series of management system optimization measures that were conducted during 2020, were fully reflected in the financial results this year and provided conditions for further development and expansion of business and production capacity. During 2021, as business sectors along the industrial chain gradually returned to normal, the Group strategically directed its focus on strengthening the core competitiveness and capacity layout of its yarn business, as well as invested in the construction of textile projects in different regions. The continuous rise in both domestic and overseas cotton raw material prices, which reached recent highs for the past ten years in 2021, provided strong support to the gross profit margin of the Group's yarn business. Even though the downstream business along the industrial chain faced pressure, the Group's overall performance was exceptional. For the year ended 31 December 2021, the annual sales volume of yarns reached over 810,000 tonnes, hence stable growth was achieved when compared with last year. In addition, revenue from the sale of yarns increased significantly by 34%, with gross profit margin rising by 9.9 percentage points to 23.3% as compared with last year. Revenue derived from the garment fabrics also increased significantly, climbing by 51.7% to RMB3.61 billion. The Group's overall revenue reached a record high of RMB26.5 billion in 2021, or a year-on-year increase of 35.5%.

## OUTLOOK

As a number of projects planned and constructed by the Group are set to commence operation successively, it is expected that the overall scale of the Group will reach a new high. In a rapidly changing market, this scale will not only facilitate new strategies and opportunities, but also bring challenges to the Group's operation and management capabilities. How to make the elephant dance will therefore be a key concern for us. At the same time, driven by the recovery from the pandemic and tensions between the PRC and the United States, the market has placed increasing importance on the speed of response, information transparency and granularity in management, and other aspects pertaining to the supply chain. As a consequence, the connection between upstream and downstream enterprises has reached an unprecedented level. Whether it be for internal expansion or external influences, comprehensive digital management and inter-connection of enterprises along the entire supply chain are matters of great urgency. Consequently, we have established an implementation framework for such matters and conducted relevant discussions with a number of important business partners.

Looking ahead to upcoming year, against the backdrop of high raw material prices and exchange rate fluctuations resulting from policies in the United States, we will remain vigilant and steadfast in our efforts to strengthen the Group's capabilities, and will proactively adopt risk management and preventive measures to achieve progress while maintaining stability.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OVERVIEW**

We are pleased to report the annual results of the Group for the year ended 31 December 2021 (the “Year”) to our shareholders. During the Year, revenue of the Group substantially increased by 35.5% to approximately RMB26.5 billion when compared with the previous year. Profit attributable to shareholders of the Company also soared, rising to approximately RMB2.69 billion, or a fourfold increase over the preceding year. Both revenue and profit attributable to shareholders hit record high. Basic earnings per share have also increased to RMB2.93 from RMB0.57 last year.

### **INDUSTRY REVIEW**

According to statistics from the National Bureau of Statistics of the PRC, the aggregate sales achieved by sizeable textile enterprises amounted to RMB2,571.4 billion in 2021, representing a 10% increase year-on-year, with profit totalling RMB120.3 billion, up by 4.1% year-on-year. Sizeable garment and apparel enterprises recorded total sales of RMB1,482.3 billion, representing a year-on-year increase of 6.5%, with net profit at RMB76.78 billion, up by 14.4% year-on-year. According to data from the General Administration of Customs of the PRC, textile products amounted to US\$145.2 billion were exported from the PRC in 2021, representing a year-on-year decrease of 5.6%. Conversely, the value of garments exported reached US\$170.3 billion, or a year-on-year increase of 24%.

According to statistics from Vietnam Customs, the export volume of yarns and staple fibre manufactured in Vietnam grew by 8.9% to 1.893 million tonnes in 2021, generating US\$5,612 million in revenue, up 50.2% when compared with 2020. Moreover, garments exports increased by 9.9% year-on-year to US\$32.75 billion in 2021.

### **BUSINESS REVIEW**

Although the COVID-19 variants have continued to affect the economies of various nations and people from all walks of life, with vaccination and different measures adopted across the world, the global economy has improved when compared with 2020. In respect of the Group, our revenue for 2021 rose by 35.5% to RMB26.5 billion when compared with last year, and the momentum of our recovery has been maintained since the six months ended 30 June 2021. During the Year, the Group principally derived revenue from the sale of yarns, grey fabrics, garment fabrics and garments, which covered the entire industrial chain. Revenue from the sale of yarns remained to be the primary source of revenue, accounting for approximately 76.9% of our total revenue for the Year. Revenue from yarn sales amounted to approximately RMB20.4 billion, representing a substantial increase of 34.2% when compared with the previous year, and was attributable to the rise in selling prices and volume. Revenue from garment fabrics also significantly improved and reached RMB3.61 billion, or a sizable increase of 51.7% when compared with 2020.

In 2021, the global economy was gradually recovering when countries had adapted to the impact of the pandemic, and the textile market also recovered, following the gradual return of normal life. Even though the global supply chain had not fully recover from the disruptions that resulted from the pandemic last year, amid a sustained demand recovery, better-established enterprises were able to prevail. Besides, inflation is expected to boost commodity prices, which, together with higher processing fee income, will be helpful to the selling prices of yarns when demand rises. The sales volume of yarns already increased by approximately 70,000 tonnes to 818,000 tonnes when compared with the previous year, despite of the reduction in production capacity of factories in southern Vietnam in the middle of the year as the pandemic raged, and the sale of a spinning mill in the PRC by the Group in November, the annual revenue of yarns surged by 34.2%, driven by soaring product prices. The gross profit margin of yarns has also risen sharply, reaching 23.3%, which is up 9.9 percentage points when compared with the preceding year.

As for grey fabrics, following the development of our own garment fabrics business, internal use of grey fabrics produced by the Group has increased, while the sales volume for the sales to external customers has continued to decrease from approximately 66 million meters last year to nearly 53.80 million meters in 2021. Moreover, the gross profit margin of grey fabrics has increased to 29.7%, due to the use of yarns produced by the Group.

For woven garment fabrics, a number of factors contributed to its performance upturn. These factors included the recovery of major overseas markets and demand, and brand customers' gradual acceptance of higher prices for woven garment fabrics following adjustments made in the middle of the year. Consequently, the sales volume increased from approximately 88 million meters last year to approximately 137 million meters in 2021, while gross profit margin further climbed to 23.1%.

As a result of the delay in trial production at the new factory in Vietnam near the year end, sales volume of knitted garment fabrics for the Year was only approximately 18,000 tonnes, or a modest increase of approximately 1,800 tonnes over the previous year. The gross profit margin was mainly affected by the higher cost of yarns purchased from external suppliers, consequently recorded at approximately 16% for the Year. The sales volume and the gross profit margin are expected to increase following the completion of the trial production of the new Vietnam factory in 2022.

Gross profit margin of the jeanswear business increased to approximately 13.3%. To enable the garment business to achieve greater profitability, the Group has reached an agreement with the Hualida Group (華利達集團), the joint venture partner of our existing garment company, to sell our majority interest in the Vietnam jeanswear production plant to the Hualida Group at the end of 2021. The arrangement will facilitate greater profitability at the Vietnam jeanswear production plant and enable the Group to focus more on developing the garment fabric business.

With respect to the trading business, revenue has increased from RMB830 million for last year to RMB1.125 billion in 2021, with the gross profit margin at approximately 8.2%. Our development of the trading business mainly aims at helping expand the sales channels for self-produced products to facilitate their business growth. Meanwhile, the non-woven fabrics business is currently at a market development stage, hence the gross profit margin is anticipated to improve in due course.

Based on the aforementioned analysis, the overall gross profit margin of the Group was driven by the sales of yarns and woven garment fabrics. Excluding the impact of the pandemic on the global market as compared with last year, the overall gross margin has increased significantly by 8.3 percentage points from 13.8% last year to 22.1% for the Year. Profit attributable to shareholders for the Year was RMB2.69 billion, and basic earnings per share was RMB2.93, representing a fourfold increase, respectively, over last year. Save for the impact of weaker than expected performance of knitted garment fabrics during the Year, which will gradually improve in 2022, we believe that profit will stabilize and the overall profit level of the Group will continue to increase in tandem with the expansion of the garment fabrics business.

## **PROSPECTS**

Our major production facilities consist of approximately 3.87 million spindles, over 1,900 weaving and knitting machines and related dyeing equipment as of 31 December 2021, out of which 2.15 million spindles were in the PRC and 1.72 million spindles were located overseas. The global textile market is currently experiencing strong demand, but the tension in the supply chain remains. This has been beneficial to maintaining higher product processing fee income in recent years. In addition, inflation is expected to continuously drive up product selling prices. It is expected that larger textile enterprises will continue to enjoy the favourable operating environment in 2022.

Following two years of rest and recuperation, the Group will accelerate its pace of investment and production expansion in 2022 by restructuring and expanding production facilities for yarns to about 4.5 million spindles as well as by raising production capacity for garment fabrics. After deducting the restructuring of production capacity and the sale of certain fixed assets, as well as the return of funds as compensation from the government for demolition and relocation, the total net investment in fixed assets will be approximately RMB2.0 billion in 2022. Based on current market conditions, and excluding the sales volume of the trading business, the Group targets to sell 880,000 tonnes of yarns, 180 million meters of woven garment fabrics and 28,000 tonnes of knitted garment fabrics in 2022.



On 20 July 2021, the Group was again included on the “Fortune 500 Chinese Companies 2021” list. In addition, the Group was ranked by the China Cotton Textile Association as the second largest among cotton textile enterprises in the PRC, based on revenue. Such achievements testify to the ongoing growth of the Group, as well as the ability of our business model to achieve continuous and widespread recognition. The Group will continue to work tirelessly to bring long-term and sustainable returns to its shareholders.

In order to better manage the overseas operations of the Group in the midstream and downstream business as well as outside of the PRC and Vietnam, the Group has been exploring different management restructuring options, including the possibility of spin-off and separate listing of the overseas yarns operations of the Group (excluding China and Vietnam) together with the vertically integrated garment fabrics and trading businesses. As at the date of this announcement, the details of such management restructuring options have yet been determined. If the Company proceeds with any spin-off and separate listing, it will be subject to, among others, approval from the relevant regulatory authorities. The Company will make further announcement(s) as and when appropriate in accordance with the Listing Rules.

## FINANCIAL REVIEW

### Sales

During the Year, the sales of the Group mainly comprised the sales of yarns, grey fabrics, non-woven fabrics, garment fabrics, as well as jeanswear. Yarns continued to be the Group’s major product. Having benefited from the increase in sales price and sales volume of yarns, the sales of yarns increased by about 34.2% in 2021 as compared to that of 2020. Sales analyses of the Group by products are shown below.

	<b>2021</b>	2020	Revenue
	<b><i>RMB’000</i></b>	<i>RMB’000</i>	change
Stretchable core-spun yarns	<b>10,292,499</b>	6,463,724	59.2%
Other yarns	<b>10,107,339</b>	8,738,517	15.7%
Grey fabrics	<b>588,442</b>	496,801	18.4%
Woven garment fabrics	<b>2,570,170</b>	1,631,042	57.6%
Knitted garment fabrics	<b>1,041,746</b>	750,647	38.8%
Jeanswear	<b>672,485</b>	601,002	11.9%
Trading	<b>1,125,067</b>	833,497	35.0%
Non-woven fabrics	<b>123,445</b>	61,708	100.0%
	<hr/>	<hr/>	<hr/>
Total	<b><u>26,521,193</u></b>	<u>19,576,938</u>	<u>35.5%</u>

	Sales volume		Selling price		Gross profit margin	
	2021	2020	2021	2020	2021	2020
Stretchable core-spun yarns (Tonne/RMB per tonne)	<b>395,914</b>	305,026	<b>25,997</b>	21,191	<b>22.6%</b>	16.8%
Other yarns (Tonne/RMB per tonne)	<b>422,433</b>	446,349	<b>23,926</b>	19,578	<b>24.0%</b>	10.8%
Grey fabrics (Million metres/RMB per metre)	<b>53.8</b>	66.0	<b>10.9</b>	7.5	<b>29.7%</b>	12.9%
Woven garment fabrics (Million metres/RMB per metre)	<b>137.2</b>	88.3	<b>18.7</b>	18.5	<b>23.1%</b>	19.3%
Knitted Garment fabrics (Tonne/RMB per tonne)	<b>17,740</b>	15,930	<b>58,723</b>	47,122	<b>16.0%</b>	18.6%
Jeanswear (Million pieces/RMB per piece)	<b>10.6</b>	9.7	<b>63.4</b>	62.0	<b>13.3%</b>	9.4%
Non-woven fabrics (Tonne/ RMB per tonne)	<b>6,452</b>	3,441	<b>19,133</b>	17,933	<b>-12.4%</b>	3.3%

The Chinese textile market is the Group's major market, accounted for 66.0% of our total sales of 2021. Having been affected by the global pandemic in 2020, our export represented a smaller proportion. With the gradual recovery of overseas markets from the impact of the pandemic, the percentage for our overseas sales has increased in 2021.

As at the date of this announcement, the Group has more than 5,000 customers. As the Group produces differentiated products, the Group does not rely on orders from a particular customer. The ten largest customers of the Group only accounted for 13.6% of the total sales of the Group for the year ended 31 December 2021.

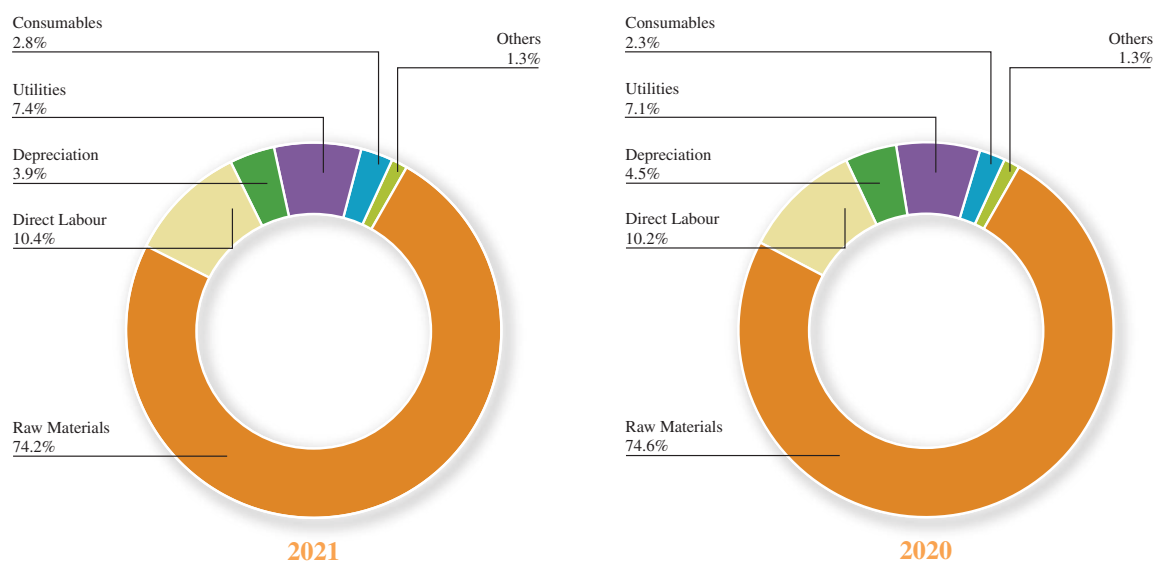
### Gross profit and gross margin

For the year ended 31 December 2021, gross profit of the Group more than doubled, which increased from RMB2.71 billion for 2020 to RMB5.85 billion for 2021. The overall gross profit margin increased by 8.3 percentage points to 22.1% as compared to that of 2020, mainly as a result of the increase in the gross profit of the yarn and woven garment fabrics business.

## Cost structure

For the year ended 31 December 2021, cost of sales rose by 22.5% to RMB20.7 billion when compared with 2020, which was in line with the surge in sales revenue. Raw materials cost accounted for about 74.2% of the total cost of sales of 2021. Cotton is our major raw material.

The breakdown of our cost of sales in 2020 and 2021 is shown below:



## Selling and distribution costs

For the year ended 31 December 2021, the Group's selling and distribution costs amounted to RMB956.3 million, representing an increase of 27.1% when compared to that of 2020. It was mainly due to an increase in the costs of freight and customs declaration expenses as a result of the significant increase in sales volume of products.

## General and administrative expenses

For the year ended 31 December 2021, the Group's general and administrative expenses amounted to RMB1,451.7 million, which represented an increase of 40.4% when compared with 2020, and accounted for 5.5% of the Group's revenue. The increase was mainly due to the increase in research and development expenses and salaries of management personnel.

## Cash flows

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Net cash generated from operating activities	<b>2,441,604</b>	3,300,785
Net cash used in investing activities	<b>(2,362,774)</b>	(577,713)
Net cash used in financing activities	<b>(257,036)</b>	(1,870,318)
Cash and cash equivalents at end of the year	<b><u>2,505,407</u></b>	<u>2,683,613</u>

For the year ended 31 December 2021, net cash generated from operating activities of the Group amounted to RMB2,441.6 million, which represents a decrease comparing with 2020 mainly due to the increase in the purchase volume and the unit price of raw materials in the second half of 2021. Net cash used in investing activities amounted to RMB2,362.8 million, which was mainly used for the payment of the new production capacity and equipment renovation of yarns and garment fabrics in China, Vietnam and Americas during the period under review. During the Year, net cash used in financing activities amounted to RMB257.0 million, representing a sharp decrease comparing with 2020, which was mainly due to early partial repayment of bank borrowings by the Group due to the improved operating environment in the second half of 2020.

## Liquidity and financial resources

As at 31 December 2021, the Group's bank and cash balances (including pledged bank deposits) amounted to RMB2,695.7 million (as at 31 December 2020: RMB2,944.2 million). As at 31 December 2021, inventories and trade and bills receivables of the Group increased by RMB3,355.9 million to RMB7,151.7 million and by RMB284.1 million to RMB2,019.7 million respectively (as at 31 December 2020: RMB3,795.7 million and RMB1,735.6 million respectively). Turnover days for inventories and trade and bills receivables were 95 days and 25 days respectively, compared to 95 days and 30 days in 2020 respectively. The inventory turnover days were the same as last year. The turnover days for trade and bills receivables were lower than that of the previous year, which was mainly because the impact of the COVID-19 epidemic in overseas markets eased this year and the collection of trade receivables from some overseas customers returned to normal.

Trade and bills payables of the Group increased by RMB1,923.7 million to RMB4,576.3 million as at 31 December 2021 (as at 31 December 2020: RMB2,652.7 million), the payable turnover days was 63 days, compared to 61 days in 2020. The number of turnover days for accounts payables was slightly higher than that of the previous year. The increase in trade and bills payables was mainly attributable to the increase in the purchase volume and the unit price of raw materials in the second half of 2021.

The total bank borrowings of the Group increased by RMB151.9 million to RMB7,215.0 million as at 31 December 2021. Current bank borrowings decreased by RMB5.8 million to RMB3,831.7 million while non-current bank borrowings increased by RMB157.8 million to RMB3,383.4 million. The increase in non-current bank borrowings was mainly due to the restructuring of bank borrowings portfolio by the Group.

As at 31 December 2021 and 2020, the key financial ratios of the Group were as follows:

	<b>2021</b>	2020
Current ratio	<b>1.29</b>	1.16
Debt to equity ratio <sup>1</sup>	<b>0.72</b>	0.90
Net debt to equity ratio <sup>2</sup>	<b>0.45</b>	0.52
Gearing ratio <sup>3</sup>	<b>0.57</b>	0.58

<sup>1</sup> Based on total borrowings over equity attributable to shareholders

<sup>2</sup> Based on total borrowings net of cash and cash equivalents and pledged bank deposits over equity attributable to shareholders

<sup>3</sup> Based on total liabilities over total assets

## **Borrowings**

As at 31 December 2021, the Group's total bank borrowings amounted to RMB7,215.0 million, among which RMB2,274.6 million (31.5%) was denominated in Renminbi, RMB1,897.2 million (26.3%) was denominated in United States dollars ("US\$" or "USD") and RMB3,043.2 million (42.2%) was denominated in Hong Kong dollars ("HK\$" or "HKD"). These bank borrowings have borne interest rates ranging from 0.8% to 5.05% per annum (2020: 1.0% to 5.1%).

As at 31 December 2021, the Group had outstanding current bank borrowings of RMB3,831.7 million (2020: RMB3,837.5 million). The decrease in current bank borrowings was mainly because of the increase in the proportion of long-term borrowings as a result of the restructuring of bank borrowings portfolio by the Group.

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

As at 31 December 2021, bank borrowings of RMB40.0 million were secured by the Group's buildings with a net book amount of RMB164.4 million and land use rights with a net book amount of RMB34.4 million.

As at 31 December 2020, bank borrowings of RMB353.6 million were secured by bills receivable with a net book amount of RMB160.0 million and bank deposits with a net book amount of RMB200.0 million.

## **Foreign exchange risk**

The Group mainly operates in the PRC and Vietnam. Most of the Group's transactions, assets and liabilities are denominated in RMB, US\$ and HK\$. Foreign exchange risk may arise from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group's exposure to foreign exchange risk is mainly attributable to its borrowings and raw material procurement denominated in US\$ or HK\$. The Group manages its foreign exchange risks by performing regular reviews and closely monitoring its foreign exchange exposures.

To mitigate the depreciation risk of RMB, the Group has purchased certain amount of currency option contracts and currency swap contracts so that about half of its foreign currency exposure is hedged.

## **Capital expenditure**

For the year ended 31 December 2021, the capital expenditure of the Group amounted to RMB2,346.6 million (2020: RMB539.8 million). It mainly related to the new production capacity of yarns and garment fabrics and equipment renovation in China, Vietnam and Americas during the period under review.

## **Contingent liabilities**

As at 31 December 2021, the Group had no material contingent liabilities.

## **Disclosure pursuant to Rules 13.18 and 13.21 of the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange")**

As announced by the Company on 20 April 2016, by an agreement dated 20 April 2016 ("2016 Facility Agreement") entered into by, among others, Texhong Galaxy Technology Limited ("Texhong Galaxy"), a wholly-owned subsidiary of the Company, as borrower and a syndicate of banks and financial institutions as lenders, the lenders have agreed to grant a facility ("2016 Facility") in the aggregate principal amount of up to US\$103,000,000 to finance the development of Texhong Galaxy's production plant in Haiha District, Quang Ninh Province, Vietnam. The 2016 Facility shall be fully repaid in April 2023 and is guaranteed by the Company.

The 2016 Facility Agreement contains a requirement that Mr. Hong Tianzhu shall maintain, directly or indirectly, the status of the largest individual shareholder of the Company and maintain the position of chairman of the Group. A breach of such requirement will constitute an event of default under the 2016 Facility Agreement, and as a result, the 2016 Facility is liable to be declared immediately due and payable. 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 payable.

The 2016 Facility was repaid in full in advance on 20 October 2021.

### **Human resources**

As at 31 December 2021, the Group had a total workforce of 33,639 employees (as at 31 December 2020: 38,545), of whom 18,474 employees were located in the sales headquarters and our manufacturing plants in Mainland China. The remaining 15,165 employees were stationed in regions outside Mainland China, including Vietnam, Cambodia, Turkey, the Americas, Hong Kong of China and Macao of China. The Group will continue to optimize its human resources structure and offer a competitive remuneration package to its employees making reference to factors including the prevailing market conditions and the performance of the Group and the merits of the employees regardless of their gender, race, age or creed. As the Group's success is dependent on the contribution of a group of skillful and motivated employees who form functional departments, the Group is committed to creating a learning and sharing culture in the organization, placing strong emphasis on the training and development of individual staff and team building.

### **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 attributable to owners of the Company, providing shareholders with an equitable return. The Board has resolved to distribute a final dividend of 57 HK cents per ordinary share for the year ended 31 December 2021 to shareholders whose names appear on the register of members on 18 May 2022 and it will be payable on or about 1 June 2022, subject to the approval by the shareholders at the forthcoming annual general meeting of the Company on 6 May 2022. An interim dividend of HK50 cents per ordinary share was paid on 8 October 2021.



## **Closure of register of members**

The register of members of the Company will be closed from 3 May 2022 to 6 May 2022, both days inclusive, during which no transfer of shares can be registered. To qualify for the attendance at the forthcoming annual general meeting, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar (the "Share Registrar"), Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, no later than 4:30 p.m. on 29 April 2022.

Conditional on the passing of the resolutions approving the declaration of the final dividend by the shareholders in the forthcoming annual general meeting of the Company, the register of members of the Company will also be closed from 16 May 2022 to 18 May 2022, both days inclusive, during which no transfer of shares can be registered. To qualify for the final dividend to be approved at the annual general meeting of the Company, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Share Registrar at the above address no later than 4:30 p.m. on 13 May 2022.

## **Purchase, sale or redemption of the listed securities of the Company**

There was no purchase, sale or redemption of the Company's listed securities by the Company or its subsidiaries during the year ended 31 December 2021.

## **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 currently comprises four executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the "Code Provisions") set out in Appendix 14 to the Listing Rules. During the year ended 31 December 2021 and up to the date of this announcement, the Company had complied with the Code Provisions.

## **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 set out in Appendix 10 to the Listing Rules (the "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 Company's code of conduct regarding the Directors' securities transactions during the year ended 31 December 2021 and up to the date of this announcement.



### **Audit committee**

The Company has established an audit committee (the “Audit Committee”) pursuant to a resolution of the Directors passed on 21 November 2004. The Audit Committee comprises three independent non-executive Directors, including Mr. Ting Leung Huel, Stephen, Professor Tao Xiaoming and Professor 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. The Audit Committee met on a semi-annual basis and the review covers the findings of internal auditors, internal control, 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 2021.

### **Nomination committee**

The Company has established a nomination committee (the “Nomination Committee”) pursuant to a resolution of the Directors passed on 19 March 2012. The Nomination Committee comprises an executive Director and the chairman of the Company, Mr. Hong Tianzhu and three independent non-executive Directors, namely Professor Tao Xiaoming, Professor Cheng Longdi and Mr. Ting Leung Huel, Stephen. The chairman of the Nomination Committee is Mr. Hong Tianzhu. The Nomination Committee has adopted terms of reference which are in line with the Code Provisions. The Nomination Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice in accordance with the Company’s policy if considered necessary.

### **Remuneration committee**

The Company has established a remuneration committee (the “Remuneration Committee”) pursuant to a resolution of the Directors passed on 21 November 2004. The Remuneration Committee currently comprises three independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Professor Tao Xiaoming and Professor Cheng Longdi. 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 remuneration policy and structure of the Directors and senior management and providing advice and recommendations to the Board.

## **Publications of results announcement**

This results announcement is published on the websites of the Company (www.texhong.com) and the Stock Exchange (www.hkexnews.hk). An annual report for the year ended 31 December 2021 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the websites of the Company and the Stock Exchange 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  
16 March 2022

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

*Executive Directors:*

Mr. Hong Tianzhu  
Mr. Zhu Yongxiang  
Mr. Tang Daoping  
Mr. Hui Tsz Wai

*Independent non-executive Directors:*

Mr. Ting Leung Huel, Stephen  
Prof. Tao Xiaoming  
Prof. Cheng Longdi