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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)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

FINANCIAL HIGHLIGHTS

- Revenue increased by 3.9% to RMB13.0 billion
- Gross profit margin decreased by 3.1 percentage points to 19.7%
- Net profit margin decreased by 2.7 percentage points to 7.9%
- Profit attributable to equity holders decreased to RMB992 million
- Basic earnings per share decreased to RMB1.08
- The Board declared for the payment of an interim dividend of 38 HK cents per share

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2022	2021
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2	13,020,846	12,526,280
Cost of sales	4	(10,453,049)	(9,673,739)
Gross profit		2,567,797	2,852,541
Selling and distribution costs	4	(494,729)	(466,766)
General and administrative expenses	4	(738,218)	(686,746)
Net accrual of impairment losses on financial assets		(11,818)	(13,466)
Other income	3	33,026	62,219
Other gains/(losses) — net	3	25,805	(80,023)
Operating profit		1,381,863	1,667,759
Finance income	5	32,735	18,872
Finance costs	5	(207,707)	(40,807)
Finance costs — net		(174,972)	(21,935)
Share of losses of investments accounted for using the equity method		(1,979)	(14,791)
Profit before income tax		1,204,912	1,631,033
Income tax expense	6	(180,468)	(309,169)
Profit for the period		1,024,444	1,321,864
Attributable to:			
Owners of the Company		991,972	1,287,620
Non-controlling interests		32,472	34,244
		1,024,444	1,321,864
Earnings per share for profit attributable to owners of the Company			
— Basic earnings per share	7	RMB1.08	RMB1.41
— Diluted earnings per share	7	RMB1.08	RMB1.40

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Freehold land		182,478	163,957
Property, plant and equipment		9,642,869	9,229,119
Investment properties		266,879	–
Right-of-use assets		1,524,304	1,227,190
Intangible assets		67,247	69,078
Long-term receivables		292,000	292,000
Investments accounted for using the equity method		318,959	320,938
Deferred income tax assets		110,865	91,983
		12,405,601	11,394,265
Current assets			
Inventories	9	7,321,290	7,151,667
Properties under development		247,022	235,113
Trade and bills receivables	10	2,728,888	2,019,660
Prepayments, deposits and other receivables		1,067,888	890,817
Derivative financial instruments	12	75,178	55,653
Financial assets at fair value through profit or loss	13	313,078	–
Pledged bank deposits		95,402	190,302
Cash and cash equivalents		2,088,579	2,505,407
		13,937,325	13,048,619
Total assets		26,342,926	24,442,884

		Unaudited	Audited
		30 June	31 December
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital: nominal value		96,958	96,958
Share premium		462,059	462,059
Other reserves		932,676	907,534
Retained earnings		9,115,453	8,571,719
		<u>10,607,146</u>	<u>10,038,270</u>
Non-controlling interests		595,546	562,682
		<u>11,202,692</u>	<u>10,600,952</u>
LIABILITIES			
Non-current liabilities			
Borrowings		3,739,293	3,383,377
Lease liabilities		190,004	82,627
Deferred income tax liabilities		293,217	286,482
		<u>4,222,514</u>	<u>3,752,486</u>
Current liabilities			
Trade and bills payables	<i>11</i>	4,730,362	4,576,337
Contract liabilities		472,799	361,634
Accruals and other payables		855,032	903,579
Current income tax liabilities		164,062	188,766
Borrowings		4,399,015	3,831,662
Derivative financial instruments	<i>12</i>	53,125	165,975
Lease liabilities		232,627	31,622
Long-term payables due within 1 year		10,698	29,871
		<u>10,917,720</u>	<u>10,089,446</u>
Total liabilities		<u>15,140,234</u>	<u>13,841,932</u>
Total equity and liabilities		<u>26,342,926</u>	<u>24,442,884</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.

This condensed consolidated financial statements are presented in Chinese Renminbi (“RMB”), unless otherwise stated.

This condensed consolidated financial statements have been approved and authorised for issue by the board (“Board”) of directors (“Directors”) of the Company on 29 August 2022.

This condensed consolidated financial statements have not been audited.

This condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with HKAS 34, ‘Interim Financial Reporting’. The condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2021, which have been prepared in accordance with HKFRSs.

The accounting policies applied for the preparation of the condensed consolidated financial statements are consistent with those of the annual financial statements for the year ended 31 December 2021, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new standards, amendments and interpretation of HKFRSs effective for the financial year ending 31 December 2022.

(a) New amendments and interpretation of HKFRSs adopted by the Group

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

- (i) Property, Plant and Equipment: Proceeds before intended use — Amendments to HKAS 16
- (ii) Reference to the Conceptual Framework — Amendments to HKFRS 3
- (iii) Onerous Contracts — Cost of Fulfilling a Contract Amendments to HKAS 37
- (iv) Annual Improvements to HKFRS Standards 2018–2020
- (v) Amendments to AG 5 Merger Accounting for Common Control Combinations

(b) The following new standard and amendments of HKFRSs have been issued but are not effective for the financial year beginning on 1 January 2022 and have not been early adopted by the Group:

- (i) HKFRS 17 'Insurance Contracts', effective for annual periods beginning on or after 1 January 2023.
- (ii) Amendments to HKAS 1 regarding classification of liabilities as current or non-current, effective for annual periods beginning on or after 1 January 2023.
- (iii) 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.
- (iv) Amendments to HKAS 8 regarding definition of accounting estimates, effective for annual periods beginning on or after 1 January 2023.
- (v) 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.
- (vi) 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.
- (vii) 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.

2. REVENUE AND SEGMENT 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. Revenue recognised for the period 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 revenues from external customers in Asia and Americas accounted for 88.6% and 10.6% (for the six months ended 30 June 2021: 89.7% and 9.5%) of the Group's total revenue respectively.

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

The segment information for the six months ended 30 June 2022 is as follows:

	Unaudited											
	Six months ended 30 June 2022											
	Yarns				Garment fabrics and Garments			Grey fabrics		Non-woven fabrics		Total
	Southeast		Others		Southeast		Americas	Southeast		Southeast		
China	Asia	Americas	Others	China	Asia	Americas	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	12,725,035	4,921,755	115,107	290,261	2,231,746	597,706	749,436	457,520	279,475	14,095	22,524	22,404,660
Inter-segment revenue	(3,995,483)	(4,176,850)	(114,679)	-	(84,333)	(551,014)	(139,473)	(31,780)	(279,456)	-	(10,746)	(9,383,814)
Revenue (from external customers)	8,729,552	744,905	428	290,261	2,147,413	46,692	609,963	425,740	19	14,095	11,778	13,020,846
Timing of revenue recognition												
— At a point in time	8,729,552	744,905	428	290,261	2,147,413	46,692	609,963	425,740	19	14,095	11,778	13,020,846
Segment results	378,911	769,780	(21,352)	40,471	167,118	17,919	22,720	62,455	3,600	868	(43,532)	1,398,958
Unallocated losses												(17,095)
Operating profit												1,381,863
Finance income												32,735
Finance costs												(207,707)
Share of losses of investments accounted for using the equity method												(1,979)
Income tax expense												(180,468)
Profit for the period												1,024,444
Depreciation and amortisation	(199,198)	(159,130)	(19,534)	(9,008)	(45,880)	(16,618)	(18,131)	(4,789)	(11,861)	-	(15,210)	(499,359)

The segment information for the six months ended 30 June 2021 is as follows:

	Unaudited											
	Six months ended 30 June 2021											
	Yarns				Garment fabrics and Garments			Grey fabrics		Non-woven fabrics		Total
	Southeast		Americas	Others	Southeast		Americas	Southeast		Southeast		Total
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	12,871,848	4,422,828	37,373	209,511	1,957,260	377,237	568,662	373,273	248,691	37,936	45,031	21,149,650
Inter-segment revenue	(3,731,964)	(3,897,100)	(37,373)	-	(71,552)	(339,328)	(103,923)	(154,138)	(247,368)	-	(40,624)	(8,623,370)
Revenue (from external customers)	9,139,884	525,728	-	209,511	1,885,708	37,909	464,739	219,135	1,323	37,936	4,407	12,526,280
Timing of revenue recognition												
— At a point in time	9,139,884	525,728	-	209,511	1,885,708	37,909	464,739	219,135	1,323	37,936	4,407	12,526,280
Segment results	613,905	851,237	(16,455)	44,753	176,368	9,485	17,222	42,711	8,776	1,280	8,256	1,757,538
Unallocated losses												(89,779)
Operating profit												1,667,759
Finance income												18,872
Finance costs												(40,807)
Share of losses of investments accounted for using the equity method												(14,791)
Income tax expense												(309,169)
Profit for the period												1,321,864
Depreciation and amortisation	(235,475)	(147,892)	(475)	(8,359)	(56,297)	(25,324)	(15,597)	(3,962)	(11,864)	-	(9,912)	(515,157)

The segment assets and liabilities as at 30 June 2022 are as follows:

	Unaudited											
	As at 30 June 2022											
	Yarns				Garment fabrics and Garments			Grey fabrics		Non-woven fabrics		Total
	Southeast				Southeast			Southeast		Southeast		
China	Asia	Americas	Others	China	Asia	Americas	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 segment assets	12,268,473	5,109,989	702,699	504,204	3,855,521	1,374,509	724,582	340,717	460,749	5,230	578,400	25,925,073
Unallocated assets												417,853
Total assets of the Group												26,342,926
Total segment liabilities	(5,676,806)	(3,870,516)	(637,443)	(264,982)	(872,242)	(1,114,829)	(435,066)	(164,444)	(412,548)	(238)	(517,117)	(13,966,231)
Unallocated liabilities												(1,174,003)
Total liabilities of the Group												(15,140,234)
Addition to non-current assets	<u>634,763</u>	<u>441,456</u>	<u>58,732</u>	<u>14,073</u>	<u>149,220</u>	<u>47,839</u>	<u>22,599</u>	<u>17,313</u>	<u>57,973</u>	<u>-</u>	<u>3,715</u>	<u>1,447,683</u>

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

	Audited											
	As at 31 December 2021											
	Yarns				Garment fabrics and Garments			Grey fabrics		Non-woven fabrics		Total
	Southeast				Southeast			Southeast		Southeast		
China	Asia	Americas	Others	China	Asia	Americas	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 segment assets	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
Total assets of the Group												24,442,884
Total segment liabilities	(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)
Total liabilities of the Group												(13,841,932)
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>

3. OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Other income		
Subsidy income (a)	<u>33,026</u>	<u>62,219</u>
Other gains/(losses)		
Derivative financial instruments at fair value through profit or loss:		
— Realised losses	(71,767)	(44,560)
— Unrealised profits/(losses)	132,375	(10,638)
Financial assets at fair value through profit or loss		
— Unrealised profits	1,078	—
Net foreign exchange losses	(55,207)	(45,601)
Others	<u>19,326</u>	<u>20,776</u>
Total other gains/(losses) — net	<u>25,805</u>	<u>(80,023)</u>

- (a) The subsidy income represented grants provided by municipal governments based on the amounts of value added tax and income tax paid. The Group has received all the subsidy income in the same period and there was no future obligation related to the subsidy income.

4. EXPENSES BY NATURE

The following expenses items have been included in cost of sales, selling and distribution costs and general and administrative expenses in the condensed consolidated income statement.

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Cost of inventories	8,275,645	7,630,710
Employment benefit expenses	1,407,766	1,379,940
Utilities	727,788	709,813
Depreciation and amortisation	499,359	515,157
Transportation	<u>240,175</u>	<u>261,698</u>

5. FINANCE INCOME AND COSTS

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interest expenses		
— borrowings	122,546	97,401
— lease liabilities	4,328	2,961
Less: finance costs capitalised in building and machinery in property, plant and equipment	(30,839)	—
	<u>96,035</u>	<u>100,362</u>
Net exchange losses/(gains) on financing activities	<u>111,672</u>	<u>(59,555)</u>
Total finance costs incurred	<u>207,707</u>	<u>40,807</u>
Finance income — interest income on bank deposits	<u>(32,735)</u>	<u>(18,872)</u>
Net finance costs	<u>174,972</u>	<u>21,935</u>

6. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current tax on profits for the period	192,615	300,055
Deferred income tax	(12,147)	9,114
	<u>180,468</u>	<u>309,169</u>

(i) Hong Kong profits tax

Subsidiaries established in Hong Kong are subject to profits tax at rate of 16.5% (for the six months ended 30 June 2021: 16.5%).

(ii) 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% (for the six months ended 30 June 2021: 25%).

As approved by the relevant tax bureau in Mainland China, sixteen subsidiaries are entitled to a preferential tax rate of 15% during the period (for the six months ended 30 June 2021: eleven subsidiaries are entitled to a preferential tax rate of 15%).

(iii) 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%. 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% (for the six months ended 30 June 2021: 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 period (for the six months ended 30 June 2021: nil to 20%).

(iv) 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% (for the six months ended 30 June 2021: 12%).

The Company's subsidiary established in Uruguay is subject to income tax rate of 25% (for the six months ended 30 June 2021: 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 period (for the six months ended 30 June 2021: nil).

The Company's subsidiary established in Cambodia is subject to income tax at the rate of 20% (for the six months ended 30 June 2021: 20%). No provision for Cambodia profits tax has been made as the Group had no assessable profit arising in or derived from Cambodia during the period (for the six months ended 30 June 2021: nil).

The Company's subsidiaries established in Nicaragua are subject to income tax at the rate of 30% (for the six months ended 30 June 2021: 30%). As approved by relevant tax bureau in Nicaragua, the subsidiary is entitled to exemption from profits tax during the period (for the six months ended 30 June 2021: exempted).

The Company's subsidiaries established in Samoa are exempted from profits tax during the period (for the six months ended 30 June 2021: exempted).

The Company's subsidiary established in Turkey is subject to income tax at the rate of 23% (for the six months ended 30 June 2021: 25%).

The Company's subsidiaries acquired in the United States are subject to income tax rate within the range from 27.5% to 30% (for the six months ended 30 June 2021: 27.5% to 30%).

The Company's subsidiaries established in Mexico are subject to income tax at the rate of 30% (for the six months ended 30 June 2021: 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 period.

	Unaudited	
	Six months ended 30 June	
	2022	2021
Profit attributable to owners of the Company (<i>RMB'000</i>)	<u>991,972</u>	<u>1,287,620</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>918,000</u>	<u>915,785</u>
Basic earnings per share (<i>RMB per share</i>)	<u>1.08</u>	<u>1.41</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.

	Unaudited	
	Six months ended 30 June	
	2022	2021
Profit attributable to owners of the Company (<i>RMB'000</i>)	<u>991,972</u>	<u>1,287,620</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	918,000	915,785
Adjustments for:		
— Share options (<i>thousands</i>)	<u>460</u>	<u>1,605</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	<u>918,460</u>	<u>917,390</u>
Diluted earnings per share (<i>RMB per share</i>)	<u>1.08</u>	<u>1.40</u>

8. DIVIDENDS

A final dividend of RMB447,492,000 that is related to the year ended 31 December 2021 was paid in June 2022 (2021: RMB150,461,000).

In addition, an interim dividend of HKD0.38 per share (2021: HKD0.50) was proposed by the board of directors on 29 August 2022. It will be payable on or about 14 October 2022 to shareholders whose names are on the register on 29 September 2022. This interim dividend, amounting to RMB298,328,000 (2021: RMB381,518,000), has not been recognised as a liability in these financial statements. It will be recognised in shareholders' equity in the financial statements of the Company for the year ending 31 December 2022.

9. INVENTORIES

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Raw materials	3,950,332	5,074,375
Work-in-progress	649,139	596,640
Finished goods	<u>2,721,819</u>	<u>1,480,652</u>
	<u>7,321,290</u>	<u>7,151,667</u>

10. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2022 <i>RMB'000</i>	Audited 31 December 2021 <i>RMB'000</i>
Trade receivables	2,036,166	1,293,965
Bills receivable	711,204	737,022
	2,747,370	2,030,987
Less: provision for impairment	(18,482)	(11,327)
	2,728,888	2,019,660

As at 30 June 2022, included in the trade receivables were amount due from related parties of RMB97,449,000 (31 December 2021: RMB31,428,000).

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

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 and regions. The ageing analysis of the trade and bills receivables (including amounts due from related parties of trading in nature) by invoice date is as follows:

	Unaudited 30 June 2022 <i>RMB'000</i>	Audited 31 December 2021 <i>RMB'000</i>
Within 30 days	1,504,043	1,489,902
31 to 90 days	995,791	422,564
91 to 180 days	230,103	93,535
181 days to 1 year	6,273	2,034
Over 1 year	11,160	22,952
	2,747,370	2,030,987
Less: provision for impairment	(18,482)	(11,327)
Trade and bills receivables — net	2,728,888	2,019,660

11. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2022 <i>RMB'000</i>	Audited 31 December 2021 <i>RMB'000</i>
Trade payables	1,060,081	1,433,658
Bills payable	3,670,281	3,142,679
	<u>4,730,362</u>	<u>4,576,337</u>

As at 30 June 2022, included in the trade payables were amounts due to related parties of RMB43,061,000 (31 December 2021: RMB25,111,000) .

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) is as follows:

	Unaudited 30 June 2022 <i>RMB'000</i>	Audited 31 December 2021 <i>RMB'000</i>
Within 90 days	3,081,579	3,801,252
91 to 180 days	1,622,642	750,893
181 days to 1 year	10,394	8,580
Over 1 year	15,747	15,612
	<u>4,730,362</u>	<u>4,576,337</u>

12. DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Assets:		
Cotton option contracts (<i>Note (a)</i>)	35,134	29,874
Cross currency swap contracts (<i>Note (b)</i>)	30,657	3,725
Forward foreign exchange contracts (<i>Note (c)</i>)	9,387	19,869
Cotton future contract (<i>Note (d)</i>)	–	2,185
	<u>75,178</u>	<u>55,653</u>
Liabilities:		
Cross currency swap contracts (<i>Note (b)</i>)	27,168	160,921
Forward foreign exchange contracts (<i>Note (c)</i>)	21,299	2,056
Cotton future contract (<i>Note (d)</i>)	4,658	–
Cotton option contracts (<i>Note (a)</i>)	–	2,998
	<u>53,125</u>	<u>165,975</u>

Non-hedging derivatives are classified as a current asset or liability.

Notes:

- (a) The cotton option contract as at 30 June 2022 comprised five contracts with notional principal amount of USD17,379,000 (31 December 2021: nine contracts with notional principal amount of USD66,069,000).
- (b) The cross currency swap contracts as at 30 June 2022 comprised eleven contracts with notional principal amounts totalling RMB1,774,823,000 (31 December 2021: twenty-six contracts with notional principal amounts totalling RMB3,490,612,000).
- (c) The forward foreign exchange contracts as at 30 June 2022 comprised one hundred and two contracts with notional principal amounts totalling RMB1,729,938,000 (31 December 2021: sixty-two contracts with notional principal amounts totalling RMB902,208,000).
- (d) The cotton future contract as at 30 June 2022 comprised one contract with notional principal amount of USD18,238,000 (31 December 2021: one contract with notional principal amounts of USD5,850,000).

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited	Audited
	30 June	31 December
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current	<u>313,078</u>	<u>–</u>
	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Opening amount	–	–
Additions	312,000	–
Net fair value changes recognized in profit or loss	<u>1,078</u>	<u>–</u>
Closing amount	<u>313,078</u>	<u>–</u>

The fair value of financial assets at fair value through profit or loss as at 30 June 2022 was structured deposits with principal amount of RMB312,000,000 (31 December 2021: nil).

OVERVIEW

The Group is pleased to present its unaudited consolidated financial results for the six months ended 30 June 2022 (the “Review Period”) to the shareholders of the Company (the “Shareholders”). During the Review Period, although the COVID-19 and its variants continued to hinder the economies of various nations and people from all walks of life, various countries began to gradually ease their epidemic control policies due to the increasing COVID-19 vaccination rates, which in turn boosted the recovery of overseas supply chains, particularly in countries such as Vietnam and Bangladesh, where a significantly accelerated pace of recovery was recorded. Meanwhile, affected by the frequent recurrence of COVID-19 and the “Dynamic zero-COVID-19” policy in China, the demand in the textile industry in China slowed down in the first half of the year. Facing pressure from the Russia-Ukraine crisis and high inflation rates, the demand in the textile industry declined during the Review Period, especially in the second quarter. However, increasing commodity prices in the first few months of 2022 led to higher prices of yarns and fabrics.

On the other hand, despite the rise of the prices of yarns and fabrics as a result of increased raw material prices, the production and operating costs for plants also increased, with the market demand being weaker than expected in the second quarter of 2022, the Group’s profitability was lower compared with the corresponding period of previous year.

In summary, the Group’s revenue increased by approximately 3.9% from the corresponding period of previous year to approximately RMB13 billion, a record high for the Group’s revenue. During the Review Period, profit attributable to shareholders of the Company decreased by 23.0% to approximately RMB992.0 million. Basic earnings per share also decreased from RMB1.41 in the corresponding period of previous year to RMB1.08.

INDUSTRY REVIEW

According to the National Bureau of Statistics of the PRC, between January and June 2022, enterprises with a sizable capacity in the textile industry recorded an aggregate revenue of RMB1,248.98 billion, representing a year-on-year increase of 4.7%, with net profit at RMB42.63 billion, down by 5.3% year on year. Sizable garment and apparel enterprises recorded revenue of RMB688.48 billion, representing a year-on-year increase of 4.5%, with net profit at RMB30.7 billion, up by 4.0% year on year. With respect to production volume, between January and June 2022, yarns, fabrics and synthetic fibre production amounted to 13.257 million tonnes, 18.03 billion metres and 33.671 million tonnes, respectively, representing year-on-year decreases of 4.2% and 2.5% and a year-on-year increase of 0.5%, respectively.

According to the General Administration of Customs of the PRC, between January and June 2022, the aggregate export value of textile apparel was US\$156.49 billion, representing a year-on-year increase of 11.7%. Among these exports, US\$76.32 billion was attributable to textiles and US\$80.17 billion to garments, representing year-on-year increases of 11.3% and 12.1%, respectively.

According to Vietnam Customs, between January and June 2022, the export volume of yarns and staple fibre manufactured in Vietnam decreased by 13.4% to 854,000 tonnes, with an increase of 5.0% in revenue to US\$2.776 billion, while the revenue of garment exports increased by 21.0% to US\$18.531 billion.

BUSINESS REVIEW

Currently, the Group's revenue is mainly derived from sales of yarns. During the Review Period, revenue from sales of yarns decreased by approximately 6.4% to approximately RMB9.241 billion, accounting for approximately 71.0% of the Group's total revenue. The midstream and downstream business segments were mainly driven by the sales of woven garment fabrics and knitted garment fabrics. Revenue from sales of yarns represented a lower percentage of the Group's revenue due to the lower-than-expected demand in the yarn market which was affected by the epidemic and fluctuations in raw material prices.

Yarn operations

During the Review Period, the Group's sales volume of yarns amounted to approximately 321,000 tonnes, representing a decrease of 23.1% as compared with the corresponding period of previous year. Although the economy of various countries emerged from the shadow of the epidemic during the Review Period, global demand for the textile industry remained sluggish due to global inflationary expectations and the Russia-Ukraine war. In addition, with the increasing cotton prices since the beginning of 2021 to May 2022, the manufacturers in the textile industry generally maintained high inventories. Consequently, the yarn operations, as the upstream industry in the textile industry, were the first to be hit. Coupled with factors such as delayed shipments and logistics problems in certain domestic factories as a result of the epidemic control measures in China and the disposal of a yarn production plant in China in November 2021, the Group recorded a year-on-year decrease in the sales volume of yarns. Due to the weaker-than-expected market demand during the Review Period, the average gross profit margin of yarns decreased by 2.1 percentage points to 21.7% as compared with the corresponding period of previous year. Nevertheless, this gross profit margin level is still higher than the normal margin as the increase in raw material prices has been beneficial to the Group's yarn business.

Grey fabrics operations

During the Review Period, the Group's sales volume of grey fabrics amounted to approximately 25.40 million metres, representing a slight decrease of approximately 0.8% as compared with the corresponding period of previous year. Benefiting from the adjustment in the grey fabric product mix and the increasing raw material prices, revenue from sales of grey fabrics increased significantly by 93.1% to approximately RMB426 million. Although the gross profit margin of grey fabrics decreased from approximately 31.4% in the corresponding period of previous year to 22.5%, it is still higher than the normal margin as a significant portion of the yarns used in production was supplied by the Group's own yarn spinning mills.

Woven garment fabrics operations

Primarily benefiting from the rise in fabric prices as a result of increasing raw materials prices during the Review Period, sales revenue amounted to approximately RMB1.33 billion, representing an increase of approximately 14.3% as compared with the corresponding period of previous year. The gross profit margin of woven garment fabrics increased from 22.4% in the corresponding period of 2021 to 24.9% for the Review Period. During the Review Period, affected by the increase in the prices of some externally purchased yarns and the fact that the demand in the U.S. market was still under gradual recovery, the gross profit margin of woven garment fabrics further improved due to the quality advantage and excellent cost transfer capability. The sales volume remained stable although the overall market demand was weaker than expected and the epidemic control measures in China temporarily affected the growth of our woven garment fabric business.

Knitted garment fabrics operations

The sales volume of knitted garment fabrics produced by the Group decreased from approximately 9,400 tonnes in the corresponding period of previous year to approximately 8,900 tonnes during the Review Period, which was mainly due to the impact of COVID-19 in China. Sales revenue for the Review Period amounted to approximately RMB497 million, representing an increase of 10.0% over the corresponding period of previous year, which was mainly due to the increase in selling prices of knitted garment fabrics. During the Review Period, sales of knitted garment fabrics were also affected by the increase in the price of externally purchased yarns. At the same time, newly installed equipment in the Vietnam factory was in the early stage of ramping up production, which affected the profit margin, and thus the gross profit margin decreased from 16.1% to 6.6%.

Jeanswear operations

The sales volume of jeanswear produced by the Group increased from approximately 5.10 million pieces in the corresponding period of previous year to approximately 5.30 million pieces during the Review Period, of which 4.16 million pieces were sold on behalf of the Group's associated company after the disposal of the Group's majority interest in the jeanswear factory in Vietnam to the joint venture partner, as it takes time for customers to complete the internal new supplier acceptance procedures.

Trading operations

Trading operations mainly comprise the trading of yarn, woven garment fabric and garment. The US denim fabric and garment trading business was acquired by the Group in 2018. During the Review Period, despite the increase in the revenue from the trading segment, the gross profit margin decreased to 6.4% due to different sales mix. It is expected that the development of the Group's trading business will promote the expansion of the sales channels of its self-produced products.

Non-woven fabrics operations

The non-woven fabrics operations are still in the exploratory stage. During the Review Period, the sales revenue amounted to approximately RMB25.87 million. Sales revenue decreased from the corresponding period of previous year due to frequent reoccurrence of COVID-19 and weakness of the overall market demand in China. Currently, the Group is actively exploring overseas markets with the aim of further expanding its customer base to obtain orders in markets.

The operating data of the Group's products during the Review Period as compared with the corresponding period is set out below:

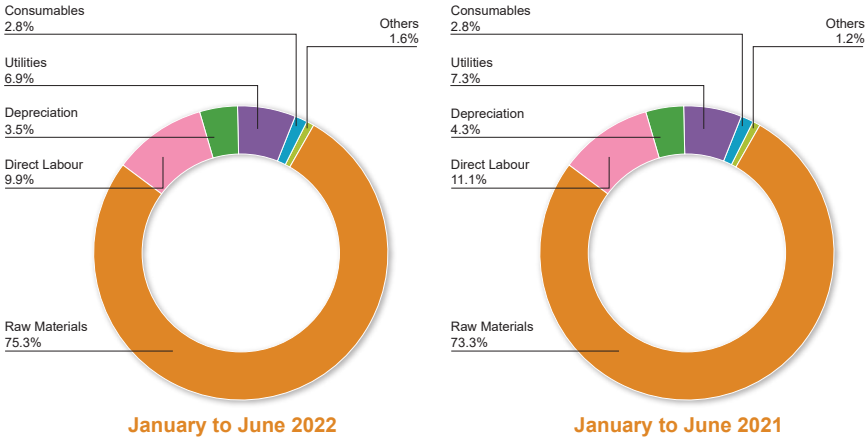
	Revenue from January to June 2022 RMB'000	Revenue from January to June 2021 RMB'000	Revenue change
Stretchable core-spun yarns	5,003,995	4,612,261	8.5%
Other yarns	4,236,725	5,262,862	-19.5%
Grey fabrics	425,759	220,458	93.1%
Woven garment fabrics	1,327,476	1,161,071	14.3%
Knitted garment fabrics	497,408	452,338	10.0%
Jeanswear	407,039	314,795	29.3%
Trading	1,096,571	460,152	138.3%
Non-woven fabrics	25,873	42,343	-38.9%
Total	<u>13,020,846</u>	<u>12,526,280</u>	<u>3.9%</u>

	Sales volume		Selling price		Gross profit margin	
	January to June 2022	January to June 2021	January to June 2022	January to June 2021	January to June 2022	January to June 2021
Stretchable core-spun yarns (Tonne/RMB per tonne)	168,043	188,281	29,778	24,497	23.5%	22.5%
Other yarns (Tonne/ RMB per tonne)	152,579	228,769	27,767	23,005	19.6%	24.9%
Grey fabrics (Million metres/ RMB per metre)	25.4	25.6	16.8	8.6	22.5%	31.4%
Woven garment fabrics (Million metres/RMB per metre)	64.2	64.0	20.7	18.1	24.9%	22.4%
Knitted garment fabrics (Tonne/RMB per tonne)	8,881	9,379	56,008	48,229	6.6%	16.1%
Jeanswear (Million pieces/ RMB per piece)	5.3	5.1	76.8	61.7	11.5%	12.7%
Non-woven fabrics (Tonne/RMB per tonne)	1,402	1,923	18,454	22,019	-61.0%	5.8%

The Group's overall gross profit margin decreased from approximately 22.8% for the six months ended 30 June 2021 to approximately 19.7% for the six months ended 30 June 2022. The decrease in the gross profit margin was mainly due to the lower gross profit margin of yarn business, as the demand for yarns was lower than expected in the second quarter of 2022, while the Group had benefited from a rebound in demand for yarns and an increase in raw material prices in the corresponding period of previous year.

The Group’s cost of sales increased by approximately 8.1% to RMB10.45 billion when compared with the corresponding period of previous year, which was mainly due to the increase in raw material prices. The cost of raw materials accounted for approximately 75.3% of the total cost of sales for the six months ended 30 June 2022.

The breakdown of the Group’s cost of sales for the six months ended 30 June 2022 as compared with the cost of sales for the six months ended 30 June 2021 is shown below:



The Group will continue to implement its established corporate strategies, optimise its existing product mix and develop new products that address market trends and needs. In addition, the Group will also enhance the level of vertical integration among its various business segments, promote diversified business development and further improve its financial performance.

During the Review Period, the Group continued to strengthen its cooperation with world-renowned manufacturers of synthetic fibres and has built a strategic partnership. Some manufacturers of synthetic fibres have already set target plans for sustainable development and when to achieve carbon neutrality. The Group will increase its efforts to cooperate with these manufacturers and use innovative technology fibers to produce fashionable, durable and functional yarns to cater to the development of differentiated high-end markets, while also dedicating effort on environmental protection, sustainable development and energy conservation and emission reduction. In addition, in response to market demand, the Group’s yarn-focused research and development centre, as well as its garment fabric research and development team, have been enhancing product quality and continuing to develop new products in order to maintain the Group’s leading position in the industry while satisfying customers’ demand for diversified and high-end products.

The Chinese textile market continues to be the Group’s major market, accounting for approximately 58.4% of the Group’s total sales for the six months ended 30 June 2022. With the implementation of strict epidemic control measures in China, the proportion of the Group’s sales from the Chinese market decreased compared with the corresponding period of last year. The Group’s ten largest customers contributed approximately 16.0% of its total revenue for the six months ended 30 June 2022.

PROSPECTS

As at 30 June 2022, the Group had an aggregate of approximately 2.35 million spindles and 1.75 million spindles located in China and overseas (mainly in Vietnam), respectively. In terms of current operations, the weak short-term market demand has brought challenges to the Group's business. However, the rapidly changing international trade environment has promoted the transfer and reorganisation of the global textile industry chain, which in the long run, has also brought new opportunities for some textile enterprises. Against the uncertain macro background, the Group's diversified development in recent years and its strategic direction of focusing on international layout have laid a solid foundation for future development. The increase in the proportion of revenue for downstream fabric business to the Group's total revenue has shared the pressure of raw material cost fluctuations faced by the yarn business to a certain extent. Meanwhile, the Group will further optimise the regional product mix and strengthen local supply capacity so as to minimise the risks to the supply chain caused by changes in the international trade situation. Given that the impact of the epidemic remains uncertain in China, the Group must make preparations for regional supply in various markets, make full use of and strengthen its overseas production capacity in countries and regions such as Vietnam, Mexico, Central America and Turkey, in order to continuously provide customers with high-quality products and services. The Group will consolidate its supply chain in China in the second half of the year while focusing on the improvement, upgrading and construction of the international supply chain serving the European and American markets. Based on current market conditions, the Group expects that the sales volume of self-produced products in the second half of 2022 will be similar to or slightly higher than that of the first half of the year.

On 12 July 2022, the Group was once again named among the "Fortune 500 Chinese Companies 2022", demonstrating the wide recognition the Group has received and acting as a strong endorsement of its continuous expansion. The Group will continue to work tirelessly, exerting its best efforts to bring long-term and sustainable returns to its Shareholders.

As stated in the annual report of the Company for the year ended 31 December 2021, the Group has been exploring different management restructuring options to better manage its overseas operations in the midstream and downstream business as well as outside of the PRC and Vietnam. In this regards, the Company has submitted a spin-off proposal to the Stock Exchange for the proposed spin-off and separate listing of its woven garment fabrics and jeanswear business. Whilst the Stock Exchange has confirmed that the Company may proceed with the proposed spin-off according to the spin-off proposal, as at the date of this announcement, no application for the separate listing has been made. Further announcement(s) will be made by the Company on the proposed spin-off and separate listing as and when necessary in accordance with the Listing Rules.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 June 2022, the Group's bank and cash balances (including pledged bank deposits) amounted to RMB2,184 million (as at 31 December 2021: RMB2,696 million). The bank and cash balances decreased because certain amount of cash was used in the subscription of structured bank deposit with guaranteed principal and higher interest rate.

As at 30 June 2022, the Group's inventories increased by RMB169.6 million to RMB7,321.3 million (as at 31 December 2021: RMB7,151.7 million), and trade and bills receivables increased by RMB709.2 million to RMB2,728.9 million (as at 31 December 2021: RMB2,019.7 million). The inventory turnover days and trade and bills receivables turnover days were 125 days and 33 days for the Review Period respectively, as compared to 95 days and 25 days for the year ended 31 December 2021 respectively. The increase in inventory turnover days was mainly due to the slowdown in yarn sales as a result of lower-than-expected market demand in yarns in the second quarter. The trade and bills receivables turnover days increased compared with the corresponding period of last year, which was mainly due to the delay in shipments and logistics problems in certain domestic factories caused by the epidemic control measures in China and the slowdown in the collection of receivables of domestic sales. As at 30 June 2022, the trade and bills payables of the Group increased to RMB4,730.4 million (as at 31 December 2021: RMB4,576.3 million), which was mainly due to the increase in the purchase price of raw materials in the first half of 2022.

As at 30 June 2022, the Group's borrowings increased by RMB923.3 million to RMB8,138.3 million (as at 31 December 2021: RMB7,215.0 million), which was mainly due to the financing of the Group's new production capacity and technological transformation of equipment.

As at 30 June 2022 and 31 December 2021, the Group's key financial ratios were as follows:

	As at 30 June 2022	As at 31 December 2021
Current ratio	1.28	1.29
Debt to equity ratio ¹	0.77	0.72
Net debt to equity ratio ²	0.56	0.45
Gearing ratio ³	0.57	0.57

¹ Based on total borrowings over total equity attributable to shareholders

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

³ Based on total liabilities over total assets

Foreign exchange risk

The Group mainly operates in the PRC and Vietnam. Most of the Group's transactions, assets and liabilities are denominated in Renminbi, US dollar and Hong Kong dollar. 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 bank borrowings and raw material procurement denominated in US dollar and Hong Kong dollar. 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 a significant portion of currency exposure is hedged against.

Capital expenditure

For the six months ended 30 June 2022, the capital expenditure of the Group amounted to approximately RMB1,448 million (for the six months ended 30 June 2021: RMB677 million). It mainly related to the new production capacity of yarns and garment fabrics and equipment renovation in China, Vietnam and the Americas during the Review Period.

Significant investment held, material acquisition and disposal

There were no significant investment held by the Group, nor were there any material acquisitions or disposal of subsidiaries and associated companies of the Company during the Review Period.

Pledge of assets

As at 30 June 2022, the Group's investment properties with a net book amount of RMB136.8 million were pledged to secure for bank borrowings (as at 31 December 2021: buildings with a net book amount of RMB164.4 million and land use rights with a net book amount of RMB34.4 million).

Contingent liabilities

As at 30 June 2022, the Group had no material contingent liabilities (as at 31 December 2021: nil).

Human resources

As at 30 June 2022, the Group had a total workforce of 37,061 employees (as at 31 December 2021: 33,639), of whom 19,909 employees were based in the sales headquarters and our manufacturing plants in Mainland China. The remaining 17,152 employees were stationed in regions outside Mainland China, including Vietnam, Turkey, the Americas, Hong Kong of China and Macao of China. The Group has a total of 17,528 female employees, accounted for 47.3% of the total number of employees as at 30 June 2022. 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 religion. 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 our Shareholders with reasonable investment returns. The Board has resolved to declare an interim dividend of 38 HK cents per share for the six months ended 30 June 2022 to Shareholders whose names appear on the register of Shareholders of the Company in Hong Kong on 29 September 2022.

Closure of register of members

The register of members of the Company will be closed from 27 September 2022 to 29 September 2022, both days inclusive, during which no transfer of shares can be registered. To qualify for the interim dividend (which will be payable on or about 14 October 2022), Shareholders must ensure that all transfer documents accompanied by the relevant share certificates are lodged with the Hong Kong branch share registrar and transfer office of the Company, Boardroom Share Registrars (HK) Limited at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong no later than 4:30 p.m. on 26 September 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 six months ended 30 June 2022.

CORPORATE GOVERNANCE

The Group is 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.

As at the date of this announcement, the Board comprises three 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 on the Stock Exchange. During the Review Period, 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 (the "Model Code") set out in Appendix 10 to the Listing Rules. After specific enquiry made by the Company, all of the Directors confirmed that they had complied with the required standard set out in the Model Code and the code of conduct regarding the Directors' securities transactions during the Review Period.

AUDIT COMMITTEE

The Company has established an audit committee which 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 audit committee. 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 has discussed with management and reviewed the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2022.

REMUNERATION COMMITTEE

During the Review Period, the remuneration committee of the Board comprises three independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Professor Tao Xiaoming, Professor Cheng Longdi. Mr. Ting Leung Huel, Stephen is the chairman of the remuneration committee. The remuneration committee is principally responsible for formulating the Group's policy and structure for all remuneration of the Directors and senior management and providing advice and recommendations to the Board.

NOMINATION COMMITTEE

The nomination committee of the Board comprises, Mr. Hong Tianzhu (the chairman and executive Director), and three independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Professor Tao Xiaoming and Professor Cheng Longdi. Mr. Hong Tianzhu is the chairman of the nomination committee. The nomination committee is principally responsible for reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members, assessing the independence of independent non-executive Directors, and making recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The Company has established the ESG Committee on 23 August 2021. The ESG Committee comprises five members, namely, Mr. Tang Daoping (chairman), Mr. Hui Tsz Wai (vice chairman, ceased to be a member on 31 March 2022), Prof. Tao Xiaoming, Prof. Cheng Longdi and Mr. Ting Leung Huel, Stephen. The ESG Committee is mainly responsible for overseeing and reporting to the Board on matters relating to ESG of the Group and ensuring compliance with legal and regulatory requirements on ESG including corporate governance principles applicable to the Company.

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

Hong Kong, 29 August 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

Independent non-executive directors:

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