TEXHONG INTERNATIONAL GROUP LIMITED
天 虹 國 際 集 團 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2678)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

- Revenue decreased by 17.1% to RMB10.8 billion
- Gross profit margin decreased by 17.3 percentage points to 2.4%
- Net loss was RMB740.2 million
- Loss attributable to equity holders was RMB747.2 million
- Basic loss per share was RMB0.81

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30 June 2023 *RMB'000*	 2022 *RMB'000*
Revenue	*2*	**10,794,419**	13,020,846
Cost of sales	*4*	**(10,537,674)**	(10,453,049)
Gross profit		**256,745**	2,567,797
Selling and distribution costs	*4*	**(374,863)**	(494,729)
General and administrative expenses	*4*	**(667,541)**	(738,218)
Net accrual of impairment losses on financial assets		**(4,448)**	(11,818)
Other income	*3*	**57,284**	33,026
Other gains — net	*3*	**287,724**	25,805
Operating (loss)/profit		**(445,099)**	1,381,863
Finance income	*5*	**43,483**	32,735
Finance costs	*5*	**(360,979)**	(207,707)
Finance costs — net	*5*	**(317,496)**	(174,972)
Share of losses of investments accounted for using the equity method		**(29,168)**	(1,979)
(Loss)/profit before income tax		**(791,763)**	1,204,912
Income tax credit/(expense)	*6*	**51,585**	(180,468)
(Loss)/profit for the period		**(740,178)**	1,024,444
Attributable to:			
Owners of the Company		**(747,197)**	991,972
Non-controlling interests		**7,019**	32,472
		(740,178)	1,024,444
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company			
— Basic (loss)/earnings per share	*7*	**RMB (0.81)**	RMB1.08
— Diluted (loss)/earnings per share	*7*	**RMB (0.81)**	RMB1.08

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
(Loss)/profit for the period	**(740,178)**	1,024,444
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss		
Share of other comprehensive income of investments accounted for using the equity method	**4,034**	—
Currency translation differences	**68,380**	26,741
Total comprehensive (loss)/income for the period	**(667,764)**	1,051,185
Attributable to:		
Owners of the Company	**(682,427)**	1,016,368
Non-controlling interests	**14,663**	34,817
	(667,764)	1,051,185

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2023** *RMB'000*	Audited 31 December 2022 *RMB'000*
ASSETS			
Non-current assets			
Freehold land		**141,478**	188,492
Property, plant and equipment		**9,506,379**	9,606,778
Investment properties		**348,158**	268,891
Right-of-use assets		**1,651,422**	1,581,210
Intangible assets		**63,586**	65,417
Long-term receivables		**146,000**	146,000
Investments accounted for using the equity method		**334,906**	360,040
Deferred income tax assets		**411,038**	305,617
		12,602,967	12,522,445
Current assets			
Inventories	*9*	**6,406,595**	7,590,105
Properties under development		**411,040**	340,796
Trade and bills receivables and financial assets at fair value through other comprehensive income	*10*	**1,681,300**	1,743,761
Prepayments, deposits and other receivables		**1,026,370**	1,274,771
Derivative financial instruments	*12*	**192,652**	99,353
Pledged bank deposits		**76,080**	111,647
Cash and cash equivalents		**2,085,531**	2,468,421
		11,879,568	13,628,854
Total assets		**24,482,535**	26,151,299

	Note	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 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		**1,063,688**	999,848
Retained earnings		**7,196,491**	7,942,758
		8,819,196	9,501,623
Non-controlling interests		**616,016**	599,853
Total equity		**9,435,212**	10,101,476
LIABILITIES			
Non-current liabilities			
Borrowings		**4,351,962**	3,388,214
Lease liabilities		**253,011**	258,695
Deferred income tax liabilities		**207,649**	236,030
		4,812,622	3,882,939
Current liabilities			
Trade and bills payables	*11*	**3,138,985**	4,597,463
Contract liabilities		**946,692**	659,458
Accruals and other payables		**894,987**	884,143
Current income tax liabilities		**64,331**	123,880
Borrowings		**4,885,169**	5,155,158
Supply chain financing		**222,236**	549,041
Derivative financial instruments	*12*	**24,809**	142,054
Lease liabilities		**57,492**	55,687
		10,234,701	12,166,884
Total liabilities		**15,047,323**	16,049,823
Total equity and liabilities		**24,482,535**	26,151,299

NOTES:

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

Texhong International 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 interim results set out in this announcement do not constitute the Group's consolidated financial statements for the six months ended 30 June 2023 but are extracted from those financial statements.

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 18 August 2023.

This condensed consolidated financial statements have not been audited.

This condensed consolidated financial statements for the six months ended 30 June 2023 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2022, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total earnings.

(a) New and amended standards adopted by the Group

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies as a result of adopting these standards.

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023

The amendments to HKAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

i) right-of-use assets and lease liabilities, and

ii) decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments as of 31 December 2022 was not material and hence no adjustment was made to the beginning retained earnings, or another component of equity.

The Group has adopted International Tax Reform — Pillar Two Model Rules — Amendments to HKAS 12 upon their release on 21 July 2023. The amendments provide a temporary mandatory exception applying retrospectively from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure from 31 December 2023.

As an exception to requirements in the amendments to HKAS 12, the Group neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes because no new legislation no new legislation to implement the top-up tax was enacted or substantively enacted at 31 December 2022 in any jurisdiction in which the Group operates.

The relief and the new disclosures will also be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2023.

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2023 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current liabilities with covenants	1 January 2024
HKFRS 16 (Amendments)	Lease liability in sale and leaseback	1 January 2024
HK Int 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

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.

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, Nicaragua and Honduras.

The revenues from external customers in Asia and Americas accounted for 91.3% and 8.0% (for the six months ended 30 June 2022: 88.6% and 10.6%) 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 2023 is as follows:

	Unaudited												
	Six months ended 30 June 2023												
	Yarns				Garment fabrics and Garments			Grey fabrics		Non-woven fabrics		Others	Total
	China	Southeast Asia	Americas	Others	China	Southeast Asia	Americas	China	Southeast Asia	China	Southeast Asia	Southeast 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*	*RMB'000*
Total revenue	**10,550,852**	**2,644,939**	**131,074**	**208,789**	**1,500,023**	**490,049**	**545,703**	**259,770**	**134,045**	**26,059**	**36,618**	**31,360**	**16,559,281**
Inter-segment revenue	**(2,721,400)**	**(2,075,390)**	**(83,723)**	**(1,924)**	**(133,312)**	**(433,115)**	**(118,788)**	**(14,886)**	**(133,956)**	**—**	**(28,542)**	**(19,826)**	**(5,764,862)**
Revenue (from external customers)	**7,829,452**	**569,549**	**47,351**	**206,865**	**1,366,711**	**56,934**	**426,915**	**244,884**	**89**	**26,059**	**8,076**	**11,534**	**10,794,419**
Timing of revenue recognition — At a point in time	**7,829,452**	**569,549**	**47,351**	**206,865**	**1,366,711**	**56,934**	**426,915**	**244,884**	**89**	**26,059**	**8,076**	**11,534**	**10,794,419**
Segment results	**324,558**	**(607,390)**	**(10,649)**	**(36,089)**	**(19,188)**	**(56,150)**	**25,454**	**(16,885)**	**7,783**	**(4,654)**	**(38,090)**	**1,666**	**(429,634)**
Unallocated losses													**(15,465)**
Operating loss													**(445,099)**
Finance income													**43,483**
Finance costs													**(360,979)**
Share of losses of investments accounted for using the equity method													**(29,168)**
Income tax credit													**51,585**
Loss for the period													**(740,178)**
Depreciation and amortisation	**(226,335)**	**(166,222)**	**(32,695)**	**(9,581)**	**(46,836)**	**(34,875)**	**(21,328)**	**(4,882)**	**(11,245)**	**—**	**(15,254)**	**(3,237)**	**(572,490)**

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
	China	Southeast Asia	Americas	Others	China	Southeast Asia	Americas	China	Southeast Asia	China	Southeast 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 assets and liabilities as at 30 June 2023 are as follows:

	Unaudited												
	As at 30 June 2023												
	Yarns				Garment fabrics and Garments			Grey fabrics		Non-woven fabrics		Others	Total
	China	Southeast Asia	Americas	Others	China	Southeast Asia	Americas	China	Southeast Asia	China	Southeast Asia	Southeast 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*	*RMB'000*
Total segment assets	**9,047,174**	**5,898,650**	**1,128,522**	**471,251**	**3,377,008**	**1,432,860**	**640,389**	**263,811**	**478,593**	**5,586**	**522,934**	**393,678**	**23,660,456**
Unallocated assets													**822,079**
Total assets of the Group													**24,482,535**
Total segment liabilities	**(5,166,894)**	**(3,435,488)**	**(927,530)**	**(299,282)**	**(275,827)**	**(1,124,997)**	**(365,514)**	**(151,383)**	**(413,688)**	**(177)**	**(533,833)**	**(392,007)**	**(13,086,620)**
Unallocated liabilities													**(1,960,703)**
Total liabilities of the Group													**(15,047,323)**
Addition to non-current assets	**93,037**	**83,715**	**21,425**	**651**	**23,089**	**12,241**	**8,347**	**—**	**7,764**	**—**	**1,302**	**321,059**	**572,630**

The segment assets and liabilities as at 31 December 2022 are as follows:

	Audited												
	As at 31 December 2022												
	Yarns				Garment fabrics and Garments			Grey fabrics		Non-woven fabrics		Others	Total
	China	Southeast Asia	Americas	Others	China	Southeast Asia	Americas	China	Southeast Asia	China	Southeast Asia	Southeast 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*	*RMB'000*
Total segment assets	10,815,352	6,084,042	1,189,212	507,466	3,452,885	1,415,621	626,556	365,726	454,044	2,668	537,003	72,464	25,523,039
Unallocated assets													628,260
Total assets of the Group													26,151,299
Total segment liabilities	(5,968,788)	(3,037,955)	(862,945)	(326,382)	(206,986)	(1,140,683)	(407,921)	(213,425)	(398,391)	(135)	(503,779)	(72,453)	(13,139,843)
Unallocated liabilities													(2,909,980)
Total liabilities of the Group													(16,049,823)
Addition to non-current assets	830,096	652,191	381,479	14,397	149,393	116,623	27,350	20,236	120,625	—	6,176	72,464	2,391,030

3. OTHER INCOME AND OTHER GAINS — NET

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Other income — net		
Subsidy income *(a)*	**48,967**	33,026
Rental income	**20,277**	—
Depreciation of investment properties	**(11,960)**	—
Total other income — net	**57,284**	33,026
Other gains — net		
Derivative financial instruments at fair value through profit or loss:		
— Realised profits/(losses)	**12,363**	(71,767)
— Unrealised profits	**210,544**	132,375
Financial assets at fair value through profit or loss		
— Realised profits	**1,351**	—
— Unrealised profits	**—**	1,078
Net foreign exchange gains/(losses) — net	**72,963**	(55,207)
Others	**(9,497)**	19,326
Total other gains — net	**287,724**	25,805

(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 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	
	2023	2022
	RMB'000	*RMB'000*
Cost of inventories	**8,529,371**	8,275,645
Employment benefit expenses	**1,277,413**	1,407,766
Utilities	**714,797**	727,788
Depreciation and amortisation	**560,530**	499,359
Transportation costs	**175,265**	240,175

5. FINANCE COSTS — NET

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Interest expenses		
— Borrowings	**274,692**	122,546
— Lease liabilities	**5,971**	4,328
Less: finance costs capitalised in building and machinery in property, plant and equipment	**—**	(30,839)
	280,663	96,035
Net exchange losses on financing activities	**80,316**	111,672
Total finance costs incurred	**360,979**	207,707
Finance income — interest income on bank deposits	**(43,483)**	(32,735)
Net finance costs	**317,496**	174,972

6. INCOME TAX (CREDIT)/EXPENSE

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Current tax on profits for the period	**82,217**	192,615
Deferred income tax	**(133,802)**	(12,147)
	(51,585)	180,468

(a) 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 2022: 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% (for the six months ended 30 June 2022: 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 2022: sixteen 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, subsidiaries established in Vietnam are entitled to four years' exemption for income taxes followed by nine years of a 50% tax reduction based on the income tax rate of 20% (for the six months ended 30 June 2022: 20%), 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 2022: 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% (for the six months ended 30 June 2022: 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 (for the six months ended 30 June 2022: nil).

The Company's subsidiary established in Uruguay is subject to income tax rate of 25% (for the six months ended 30 June 2022: 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 2022: 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 2022: 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 2022: 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 2022: 30%). As approved by relevant tax bureau in Nicaragua, the subsidiaries are entitled to exemption from profits tax during the period (for the six months ended 30 June 2022: exempted).

The Company's subsidiaries established in Samoa are exempted from profits tax during the period (for the six months ended 30 June 2022: exempted).

The Company's subsidiary established in Turkey is subject to income tax at the rate of 20% (for the six months ended 30 June 2022: 23%).

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 2022: 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 2022: 30%).

The Company's subsidiaries established in Honduras are subject to income tax at the rate of 25%.

7. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/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	
	2023	2022
(Loss)/profit attributable to owners of the Company *(RMB'000)*	**(747,197)**	991,972
Weighted average number of ordinary shares in issue *(thousands)*	**918,000**	918,000
Basic (loss)/earnings per share *(RMB per share)*	**(0.81)**	1.08

(b) Diluted

Diluted (loss)/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	
	2023	2022
(Loss)/profit attributable to owners of the Company *(RMB'000)*	**(747,197)**	991,972
Weighted average number of ordinary shares in issue *(thousands)*	**918,000**	918,000
Adjustments for:		
— Share options *(thousands)*	**—**	460
Weighted average number of ordinary shares for diluted (loss)/earnings per share *(thousands)*	**918,000**	918,460
Diluted (loss)/earnings per share *(RMB per share)*	**(0.81)**	1.08

8. DIVIDENDS

No final dividend that is related to the year ended 31 December 2022 was paid during the period (2022: RMB447,492,000).

In addition, no interim dividend (2022: HKD0.38) was proposed by the board of directors.

9. INVENTORIES

	Unaudited 30 June 2023 *RMB'000*	Audited 31 December 2022 *RMB'000*
Raw materials	**3,941,765**	4,515,136
Work-in-progress	**443,864**	604,728
Finished goods	**2,437,940**	3,075,127
	6,823,569	8,194,991
Less: provision for write-down of inventories to net realisable value	**(416,974)**	(604,886)
	6,406,595	7,590,105

10. TRADE AND BILLS RECEIVABLES AND FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

(a) Financial assets at FVOCI

	Unaudited 30 June 2023 *RMB'000*	Audited 31 December 2022 *RMB'000*
Current	**356,973**	380,615

Bills receivables held both by collecting contractual cash flows and selling of these assets are classified as financial assets at FVOCI.

(b) Trade and bills receivables

	Unaudited 30 June 2023 *RMB'000*	Audited 31 December 2022 *RMB'000*
Trade receivables	**1,060,925**	1,090,423
Bills receivable	**281,193**	288,146
	1,342,118	1,378,569
Less: provision for impairment	**(17,791)**	(15,423)
	1,324,327	1,363,146

As at 30 June 2023, included in the trade receivables were amounts due from related parties of RMB4,381,000 (31 December 2022: RMB13,984,000).

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) based on invoice date is as follows:

	Unaudited 30 June 2023 ***RMB'000***	Audited 31 December 2022 *RMB'000*
Within 30 days	**728,026**	755,648
31 to 90 days	**451,939**	364,322
91 to 180 days	**69,883**	210,345
181 days to 1 year	**78,859**	38,154
Over 1 year	**13,411**	10,100
	1,342,118	1,378,569
Less: provision for impairment	**(17,791)**	(15,423)
Trade and bills receivables — net	**1,324,327**	1,363,146

11. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2023 ***RMB'000***	Audited 31 December 2022 *RMB'000*
Trade payables	**666,975**	562,329
Bills payable	**2,472,010**	4,035,134
	3,138,985	4,597,463

As at 30 June 2023, included in the trade payables were amounts due to related parties of RMB21,353,000 (31 December 2022: RMB20,288,000).

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:

	Unaudited 30 June 2023 *RMB'000*	Audited 31 December 2022 *RMB'000*
Within 90 days	**2,169,752**	2,873,836
91 to 180 days	**951,844**	1,695,273
181 days to 1 year	**10,783**	18,667
Over 1 year	**6,606**	9,687
	3,138,985	4,597,463

12. DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 June 2023 *RMB'000*	Audited 31 December 2022 *RMB'000*
Assets:		
Cotton option contracts *(Note (a))*	**549**	7,096
Cross currency swap contracts *(Note (b))*	**111,025**	66,000
Forward foreign exchange contracts *(Note (c))*	**77,862**	23,862
Cotton future contract *(Note (d))*	**3,216**	2,395
	192,652	99,353
Liabilities:		
Cross currency swap contracts *(Note (b))*	**—**	10,063
Forward foreign exchange contracts *(Note (c))*	**24,413**	131,991
Cotton option contracts *(Note (a))*	**396**	—
	24,809	142,054

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

Notes:

(a) The cotton option contract as at 30 June 2023 comprised six contracts with notional principal amount of USD1,598,000 (31 December 2022: one contract with notional principal amount of USD2,897,000).

(b) The cross currency swap contracts as at 30 June 2023 comprised six contracts with notional principal amounts totaling RMB1,046,789,000 (31 December 2022: eight contracts with notional principal amounts totaling RMB1,703,641,000).

(c) The forward foreign exchange contracts as at 30 June 2023 comprised one hundred and twenty-four contracts with notional principal amounts totaling RMB4,286,891,000 (31 December 2022: one hundred and seventy-two contracts with notional principal amounts totaling RMB6,743,389,000).

(d) The cotton future contract as at 30 June 2023 comprised one contract with notional principal amount of USD16,593,000 (31 December 2022: one contract with notional principal amount of USD32,482,000).

OVERVIEW

We report to the shareholders of the Company (the "Shareholders") the unaudited consolidated financial results of the Group for the six months ended 30 June 2023 (the "Review Period"). During the Review Period, on the one hand, the impact of COVID-19 on the Chinese economy largely subsided following the lifting of pandemic prevention and control policies in the People's Republic of China (the "PRC") in early 2023. The Chinese economy has gradually recovered in the post-pandemic era, which in turn has contributed to the growth of the global economy. On the other hand, the continued escalation of the Russia-Ukraine tensions increased trade uncertainties and risks around the world, leading to global food supply concerns and pushing up cotton prices. In the first half of 2023, the black swan event of Silicon Valley Bank in the United States and the subsequent crisis of Credit Suisse caused panic in the global financial market, coupled with the continuous interest rate hikes by the Federal Reserve of the United States to combat inflation, has led to an increase in the cost of living and thus put pressure on the demand for non-essential products in the short term. Therefore, the recovery in demand from the textile industry in the first half of the year fell short of expectations, pending the inventory pressure in the market being further released.

In addition, the competition among major countries on all fronts also led to a decline in the cooperation efficiency of the global supply chain, which had a negative impact on the development of the textile industry. From another perspective, although the prices of raw materials gradually increased month-by-month from the low point at the end of last year, the selling prices of yarns and fabrics, which were relatively in the back-end of the market, could not realize a simultaneous increase affected by the downturn in the end-consumer market. Due to weak demand, factory orders were insufficient, and the unit production and operation costs of factories increased accordingly. In the first half of 2023, the Group's profitability was lower than that of the corresponding period of last year due to lower market demand than expected.

As a result of the abovementioned factors, the Group's revenue decreased by approximately 17.1% from approximately RMB13.0 billion in the corresponding period of last year to approximately RMB10.8 billion during the Review Period. The loss attributable to owners of the Company and basic loss per share were approximately RMB747.2 million and RMB0.81, respectively, for the Review Period, while profit attributable to owners of the Company and basic earnings per share for the corresponding period of last year were approximately RMB992.0 million and RMB1.08, respectively. Thanks to the Group's effective working capital compression policy and prudent capital expenditure control policy, during the Review Period, the working capital and capital expenditure of the Group decreased as compared with the corresponding period of last year. The Group's gearing ratio as of 30 June 2023 stood at 61%, which remained consistent with the end of last year, notwithstanding the losses recorded during the Review Period.

INDUSTRY REVIEW

According to the National Bureau of Statistics of the PRC, between January and June 2023, enterprises with a sizable capacity in the textile industry recorded an aggregate revenue of approximately RMB1,071.1 billion, representing a year-on-year decrease of 4.9%, with net profit at approximately RMB26.2 billion, down by 23.8% year-on-year. Sizable garment and apparel enterprises recorded revenue of approximately RMB561.7 billion, representing a year-on-year decrease of 8.1%, with net profit at approximately RMB24.5 billion, down by 3.1% year-on-year. With respect to production volume, between January and June 2023, yarns, fabrics and synthetic fibre production amounted to approximately 11.02 million tonnes, 15.2 billion metres and 33.82 million tonnes, respectively, representing year-on-year decreases of 3.8% and 5.0% and a year-on-year increase of 3.9%, respectively.

According to the General Administration of Customs of the PRC, between January and June 2023, the aggregate export value of textile apparel was approximately US$142.7 billion, representing a year-on-year decrease of 8.3%. Among these exports, approximately US$67.7 billion was attributable to textiles and approximately US$75.0 billion to garments, representing year-on-year decreases of 10.9% and 5.9%, respectively.

According to the General Department of Vietnam Customs, between January and June 2023, the export volume of yarns and staple fibre manufactured in Vietnam decreased by 2.5% to approximately 832,000 tonnes, with a decrease of 25.6% in revenue to approximately US$2.1 billion, while the revenue of garment exports decreased by 15.4% to approximately US$15.7 billion.

BUSINESS REVIEW

Currently, the Group's revenue is mainly derived from the sale of yarns. The midstream and downstream business segments mainly focus on the sale of woven garment fabrics and knitted garment fabrics, both of which primarily target the overseas market. During the Review Period, revenue from the sale of yarns declined by approximately 12.4% to approximately RMB8,091.6 million. However, as a result of the weak demand of the overseas market in the first half of the year, the proportion of revenue from yarn sales to the Group's total revenue increased to 75.0% from 71.0% in the corresponding period of last year.

Yarn operations

During the Review Period, affected by global inflation and the Russia-Ukraine tensions, coupled with uncertainties such as a decrease in the efficiency of the international supply chain cooperation, the risk of global economic recession has increased, demand from the global textile industry was thus generally sluggish. Nonetheless, in the face of significant macroeconomic changes, the Group took proactive measures to adjust its product structure to ensure its operations and actively destocked on the sales side. During the Review Period, the Group's sales volume of yarns amounted to approximately 349,000 tonnes, representing an increase of 8.9% as compared with the corresponding period of last year.

Although the Group took the initiative to destock, the domestic market recovered after the lifting of pandemic prevention and control policies at the beginning of the year, and the sales volume of yarns during the Review Period increased from the corresponding period of last year, however, the downward pressure on the global economy further increased, and the Group's insufficient order volume during the Review Period led to a significant drop in the overall production capacity utilization compared with the corresponding period of last year, especially in overseas factories. As a result, the average gross profit margin of yarns decreased to 0.7% during the Review Period.

Grey fabric operations

During the Review Period, the Group's sales volume of grey fabrics was approximately 25.7 million metres, representing a slight increase of approximately 1.2% as compared with the corresponding period of last year. Due to the product mix and customer structure adjustment, during the Review Period, the sales revenue of grey fabrics decreased to approximately RMB245.0 million, while the gross profit margin decreased to 4.4%.

Woven garment fabric operations

During the Review Period, although the price level of woven garment fabrics was locked and improved by leveraging the benefits of quality advantages, outstanding cost transfer capability and longer order cycles, the sales volume still decreased from approximately 64.2 million metres in the corresponding period of last year to approximately 44.3 million metres as the demand in the overseas markets remained weak. As a result, the sales revenue of woven garment fabrics decreased by approximately 22.8% to approximately RMB1,024.3 million as compared with the corresponding period of last year. The significant drop in the production capacity utilization rate caused by insufficient orders resulted in a decrease in the gross profit margin of woven garment fabrics, from 24.9% in the corresponding period of last year to 12.1% during the Review Period.

Knitted garment fabric operations

During the Review Period, the sales volume of knitted garment fabrics produced by the Group decreased to approximately 7,700 tonnes from approximately 8,900 tonnes in the corresponding period of last year, which was mainly due to the global economic downturn and weak market demand. Consequently, sales revenue amounted to approximately RMB401.1 million, representing a decrease of 19.4% as compared with the corresponding period of last year. During the Review Period, the Group proactively adjusted its product structure, optimized its organizational and management structure, exercised stringent control over various expenses, and further strengthened the vertical integration of the industrial chain to fully utilize internal yarns. These measures contributed to a slight recovery in gross profit margin, rising to 9.2% from 6.6% in the corresponding period of last year.

Jeanswear operations

As the Group disposed the majority of its equity interest in a jeanswear factory in Vietnam to a joint venture partner, sales attributable thereto were excluded from the Group's sales since the second half of 2022. During the Review Period, the sales volume of jeanswear produced by the Group decreased from approximately 5.3 million pieces in the corresponding period of last year to approximately 0.4 million pieces, and the sales revenue amounted to approximately RMB19.2 million, which was mainly attributable to the sales business of the jeanswear factories in the PRC.

Trading operations

Trading operations mainly comprise the trading business of yarns, woven garment fabrics and garments. It mainly represented the US denim fabric and garment trading business. During the Review Period, as in other business segments, revenue from trading operations decreased, from approximately RMB1,096.6 million in the corresponding period of last year to approximately RMB979.2 million, due to the continued low market demand. The gross profit margin decreased to 5.7% during the Review Period from 6.4% in the corresponding period of last year due to a different sales mix. The development of the Group's trading operations is expected to contribute to the expansion of the sales channel for the Group's self-produced products.

Non-woven fabric operations

The increase in living expenses brought about by global inflation has caused the development of non-woven fabric operations (as non-necessities) to fall short of expectations in recent years, especially when the demand for anti-pandemic products related to non-woven fabrics further declined after the pandemic subsided. The Group has been proactively adjusting the product structure of non-woven fabrics to adapt to the changes in market demand. Meanwhile, the Group has been actively exploring opportunities in overseas markets while promoting further strategic cooperation with renowned customers in the industry in order to broaden the customer base and seize market orders. During the Review Period, the sales revenue of non-woven fabrics increased to approximately RMB34.1 million as compared with approximately RMB25.9 million for the corresponding period of last year.

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

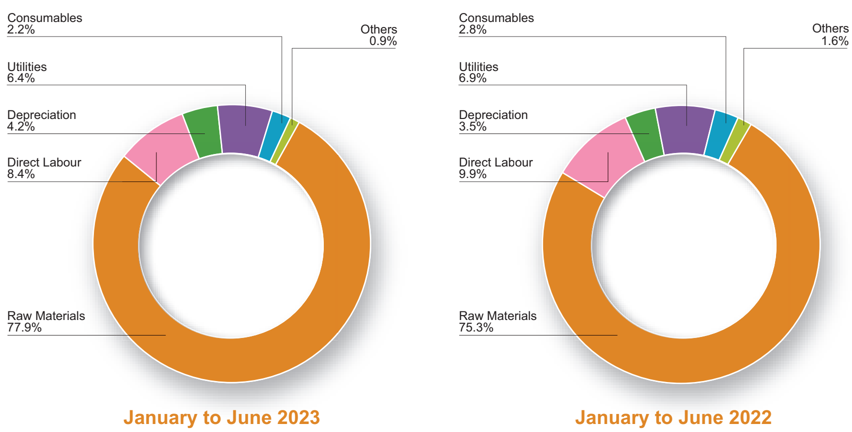
	Revenue from January to June 2023 *RMB'000*	Revenue from January to June 2022 *RMB'000*	**Revenue change**
Yarns	**8,091,576**	9,240,720	**−12.4%**
Grey fabrics	**244,973**	425,759	**−42.5%**
Woven garment fabrics	**1,024,281**	1,327,476	**−22.8%**
Knitted garment fabrics	**401,089**	497,408	**−19.4%**
Jeanswear	**19,186**	407,039	**−95.3%**
Trading	**979,179**	1,096,571	**−10.7%**
Non-woven fabrics	**34,135**	25,873	**31.9%**
Total	**10,794,419**	13,020,846	**−17.1%**

	Sales Volume		**Selling price**		**Gross profit margin**	
	January to June 2023	January to June 2022	**January to June 2023**	January to June 2022	**January to June 2023**	January to June 2022
Yarns (Tonne/RMB per tonne)	**349,090**	320,622	**23,179**	28,821	**0.7%**	21.7%
Grey fabrics (Million metres/RMB per metre)	**25.7**	25.4	**9.5**	16.8	**4.4%**	22.5%
Woven garment fabrics (Million metres/RMB per metre)	**44.3**	64.2	**23.1**	20.7	**12.1%**	24.9%
Knitted garment fabrics (Tonne/RMB per tonne)	**7,721**	8,881	**51,948**	56,008	**9.2%**	6.6%
Jeanswear (Million pieces/RMB per piece)	**0.4**	5.3	**48.0**	76.8	**−19.7%**	11.5%
Non-woven fabrics (Tonne/RMB per tonne)	**1,560**	1,402	**21,881**	18,454	**−60.7%**	−61.0%

The Group's overall gross profit margin decreased from approximately 19.7% for the six months ended 30 June 2022 to approximately 2.4% for the six months ended 30 June 2023. The decrease in the gross profit margin was mainly attributable to the continued weak demand for textiles in the overseas markets during the Review Period, resulting in weak product selling prices and low utilization rates of the Group's production capacity, which in turn affected the unit production costs and gross profit margins of the Group.

The Group's cost of sales amounted to approximately RMB10.5 billion during the Review Period. The cost of raw materials accounted for approximately 77.9% of the total cost of sales for the six months ended 30 June 2023.

The breakdown of the Group's cost of sales for the six months ended 30 June 2023 as compared with the cost of sales for the six months ended 30 June 2022 is shown below:



The Group will continue to implement its established corporate strategies, optimize 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 to further improve its financial performance.

The Group continued to invest in the development and utilization of new materials, with special focus on technological breakthrough in the utilization of materials with sustainable development, such as the plant fibers extracted from fruits and hemp fiber. By closely cooperating with the world leading fiber supplier and utilizing the Group's expertise and advantages in yarn processing accumulated from its long-term operation, fibers made with innovative technology and natural fibers are integrated to put the functions and features of different fibers into full play, thereby bringing innovative and diversified products to the market. Meanwhile, the promotion of new environmental friendly materials also contribute towards the target of carbon neutrality.

The Chinese textile market continues to be the Group's major market. In the first half of 2022, the strict epidemic control measures in the PRC affected the Group's sales in the Chinese market. In the first half of 2023, the continuous weak demand for textile in overseas market resulted in the decrease in the Group's overseas sales. Under the combined effect of both factors, the sales proportion of the Group to the Chinese market increased to approximately 67.4% during the Review Period from approximately 58.4% for the corresponding period of last year. The Group's ten largest customers contributed approximately 13.2% of its total revenue for the six months ended 30 June 2023.

PROSPECTS

As at 30 June 2023, the Group's major production facilities were equipped with approximately 4.16 million spindles, of which 2.44 million spindles were located in the PRC and 1.72 million spindles were located overseas (mainly in Vietnam) respectively, and over 1,700 weaving and knitting machines and related dyeing equipment. In terms of current operating conditions, the Group's business has faced challenges arising from intensifying geopolitical conflicts and increasing competition among major countries on all fronts. These factors have disrupted the global supply chain, further weakening market demand. The rapid changes in the international trading environment has accelerated the transition and consolidation of the global textile industry, presenting new opportunities for some textile enterprises in a long run. Despite such an uncertain macro backdrop, the Group's strategic direction of diversified development and focus on international deployment in recent years has laid a solid foundation for its future development.

On one hand, the Group will further optimize its regional product mixes and enhance local supply capabilities, thereby minimizing the risk imposed on the supply chain by the changes in the international trade situation. The Group must get well prepared for realizing regional supply in various markets, fully utilize and enhance its overseas production capacity, and continue to provide quality products and services to overseas customers. Meanwhile, the Group will also further consolidate its supply chain and adjust its product structure in the PRC market to adapt to domestic market demand under the new market norm.

On the other hand, the Group will gradually adjust its industry deployment and enhance or dispose of certain assets or businesses with low efficiency or profitability, so as to increase specialization in industry segmentation of its key businesses and solidify its defensibility in industry. At the same time, leveraging its advantages in overseas deployment, the Group will proactively strengthen its cooperation with key partners in the industry, with a view to establish an industrial cluster and creating economies of scale, thereby achieving a multi-win situation with the industry partners while reducing logistics costs.

Based on current market conditions and excluding the sales from trading business, the Group targets to sell approximately 400,000 tonnes of yarns, 44 million metres of woven garment fabrics and 5,000 tonnes of knitted garment fabrics in the second half of 2023.

On 25 July 2023, the Group was once again named among the "500 Chinese Companies 2023" by Fortune, a world renowned magazine, 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.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 June 2023, the Group's bank and cash balances (including pledged bank deposits) amounted to RMB2,161.6 million (as at 31 December 2022: RMB2,580.1 million). The bank and cash balances decreased mainly due to the advanced settlement of substantial US-dollar letter of credit by the Group.

As at 30 June 2023, the Group's inventories decreased by RMB1,183.5 million to RMB6,406.6 million (as at 31 December 2022: RMB7,590.1 million), and trade and bills receivables (including financial assets at fair value through other comprehensive income) decreased by RMB62.5 million to RMB1,681.3 million (as at 31 December 2022: RMB1,743.8 million). The inventory turnover days and trade and bills receivables turnover days were 120 days and 29 days for the Review Period respectively, as compared to 126 days and 28 days for the year ended 31 December 2022 respectively. The decrease in inventory turnover days was mainly due to the overall weak global consumption demand in the second half of 2022, which resulted in the relatively high inventory level of finished products of the Group at the end of last year. The trade and bills receivables turnover days during the Review Period were basically the same as those in last year. As at 30 June 2023, the trade and bills payables of the Group decreased by 1,458.5 million to RMB3,139.0 million (as at 31 December 2022: RMB4,597.5 million), the trade payables turnover days were 66 days and were 78 days for the year ended 31 December 2022. The decrease in trade and bills payables turnover days was mainly due to the advanced payment of substantial US-dollar letter of credit by the Group during the Review Period.

As at 30 June 2023, the Group's borrowings increased by RMB693.8 million to RMB9,237.1 million (as at 31 December 2022: RMB8,543.4 million), which was mainly due to the increase in long-term bank borrowings in order to optimize the Group's financing structure. Such borrowings are denominated in the following currencies: as to approximately RMB4,574.4 million in RMB, as to approximately RMB2,921.8 million in Hong Kong dollars ("HK$" or "HKD"), as to approximately RMB1,735.0 million in U.S. dollars ("US$" or "USD") and as to approximately RMB5.9 million in Australian dollars ("AUD").

As at 30 June 2023 and 31 December 2022, the Group's key financial ratios were as follows:

	As at 30 June 2023	As at 31 December 2022
Current ratio	**1.16**	1.12
Debt to equity ratio[1]	**1.05**	0.90
Net debt to equity ratio[2]	**0.80**	0.63
Gearing ratio[3]	**0.61**	0.61

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, Vietnam and Americas. Most of the Group's transactions, assets and liabilities are denominated in RMB, USD and HKD. 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 USD and HKD. 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 2023, the capital expenditure of the Group amounted to approximately RMB572.6 million (for the six months ended 30 June 2022: RMB1,447.7 million). It mainly related to the yarn equipment renovation in China and Vietnam during the Review Period as well as the acquisition of certain assets in Hai Ha Industrial Park in Vietnam. For further details regarding the acquisition of the said assets, please refer to the announcements of the Company dated 8 December 2022 and 3 February 2023.

Significant investment held, material acquisition and disposal

There were no significant investments 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 2023, bank borrowings of approximately RMB5.9 million (as at 31 December 2022: RMB5.8 million) were secured by bank deposits with a net book amount of approximately RMB6.0 million (as at 31 December 2022: RMB6.0 million). As at 30 June 2023 and 31 December 2022, bank borrowings of RMB200 million were secured by export tax rebates entitled to be collected.

Contingent liabilities

As at 30 June 2023, the Group had no material contingent liabilities (as at 31 December 2022: nil).

Human resources

As at 30 June 2023, the Group had a total workforce of 30,492 employees (as at 31 December 2022: 30,206), of whom 17,508 employees were based in the sales headquarters and our manufacturing plants in Mainland China. The remaining 12,984 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 14,683 female employees, accounted for 48.2% of the total number of employees as at 30 June 2023. During the Review Period, the Group incurred total staff costs of approximately RMB1.3 billion (for the six months ended 30 June 2022: approximately RMB1.4 billion).

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. In the first half of 2023, the Group's results were affected by the decrease in market demand on yarns and garment fabrics. The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023.

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 2023.

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 Part 2 of Appendix 14 to the Listing Rules on the Stock Exchange. During the Review Period, the Company had complied with the Code Provisions.

CHANGES OF INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES UNDER RULE 13.51B(1) OF THE LISTING RULES

Below is the information relating to the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

— Mr. Ting Leung Huel, Stephen ceased to be an independent non-executive Director, chairman of each of the remuneration committee and audit committee of the Board, and member of each of the nomination committee and the environmental, social and governance committee of the Board with effect from 25 May 2023. For further information regarding the retirement of Mr. Ting Leung Huel, Stephen, please refer to the circular of the Company dated 21 April 2023 (the "Circular") and the announcement of the Company dated 25 May 2023 (the "Announcement").

— Mr. Shu Wa Tung, Laurence has been elected as an independent non-executive Director by the Shareholders at the annual general meeting of the Company with effect from the conclusion thereof held on 25 May 2023, and was appointed as the chairman of each of the audit committee and remuneration committee of the Board, and member of each of the nomination committee and the environmental, social and governance committee of the Board on the same date. For further information regarding Mr. Shu Wa Tung, Laurence and his appointment, please refer to the Circular and the Announcement.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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. Shu Wa Tung, Laurence, Professor Tao Xiaoming and Professor Cheng Longdi. Mr. Shu Wa Tung, Laurence 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 2023 and have no disagreement with the accounting treatment or standards adopted.

REMUNERATION COMMITTEE

The remuneration committee of the Board comprises three independent non-executive Directors, namely Mr. Shu Wa Tung, Laurence, Professor Tao Xiaoming and Professor Cheng Longdi. Mr. Shu Wa Tung, Laurence 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. Shu Wa Tung, Laurence, 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 ESG committee of the Board comprises four members, namely, Mr. Tang Daoping, Professor Tao Xiaoming, Professor Cheng Longdi and Mr. Shu Wa Tung, Laurence. Mr. Tang Daoping is the chairman of the ESG committee. 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 International Group Limited
Hong Tianzhu
Chairman

Hong Kong, 18 August 2023

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. Shu Wa Tung, Laurence Prof. Cheng Longdi Prof. Tao Xiaoming