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 2024

FINANCIAL HIGHLIGHTS

- Revenue increased by 4.2% to RMB11.2 billion
- Gross profit margin increased by 10.8 percentage points to 13.2%
- Net profit was RMB282.3 million
- Profit attributable to equity holders was RMB269.9 million
- Basic earnings per share was RMB0.29
- The Board declared for the payment of an interim dividend of 10 HK cents per share

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30 June 2024 *RMB'000*	 2023 *RMB'000*
Revenue	*2*	**11,243,529**	10,794,419
Cost of sales	*4*	**(9,763,980)**	(10,537,674)
Gross profit		**1,479,549**	256,745
Selling and distribution costs	*4*	**(308,597)**	(374,863)
General and administrative expenses	*4*	**(600,904)**	(667,541)
Net accrual of impairment losses on financial assets		**(22,139)**	(4,448)
Other income	*3*	**83,663**	57,284
Other (losses)/gains — net	*3*	**(21,116)**	287,724
Operating profit/(loss)		**610,456**	(445,099)
Finance income	*5*	**37,925**	43,483
Finance costs	*5*	**(262,619)**	(360,979)
Finance costs — net	*5*	**(224,694)**	(317,496)
Share of losses of investments accounted for using the equity method		**(20,649)**	(29,168)
Profit/(loss) before income tax		**365,113**	(791,763)
Income tax (expense)/credit	*6*	**(82,844)**	51,585
Profit/(loss) for the period		**282,269**	(740,178)
Attributable to:			
Owners of the Company		**269,938**	(747,197)
Non-controlling interests		**12,331**	7,019
		282,269	(740,178)
Profit/(loss) attributable to owners of the Company arises from:			
Continuing operations		**269,938**	(747,197)
Discontinued operations		**—**	—
		269,938	(747,197)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company			
— Basic earnings/(loss) per share	*7*	**RMB0.29**	RMB (0.81)
— Diluted earnings/(loss) per share	*7*	**RMB0.29**	RMB (0.81)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June 2024 *RMB'000*	2023 *RMB'000*
Profit/(loss) for the period	**282,269**	(740,178)
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
Share of other comprehensive income of investments accounted for using the equity method	**6,154**	4,034
Currency translation differences	**7,693**	68,380
Total comprehensive income/(loss) for the period	**296,116**	(667,764)
Attributable to:		
Owners of the Company	**281,419**	(682,427)
Non-controlling interests	**14,697**	14,663
	296,116	(667,764)

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2024 *RMB'000***	Audited 31 December 2023 *RMB'000*
ASSETS			
Non-current assets			
Freehold land		**109,162**	109,393
Property, plant and equipment		**8,273,521**	8,493,748
Investment properties		**372,655**	382,700
Right-of-use assets		**1,212,377**	1,264,074
Intangible assets		**59,925**	61,756
Investments accounted for using the equity method		**364,543**	379,038
Deferred income tax assets		**366,738**	397,104
Financial assets at fair value through profit or loss		**15,947**	15,903
		10,774,868	11,103,716
Current assets			
Inventories	*9*	**5,070,113**	5,244,583
Properties under development		**253,805**	415,549
Trade and bills receivables	*10*	**1,713,033**	1,571,477
Financial assets at fair value through other comprehensive income	*11*	**292,298**	336,761
Prepayments, deposits and other receivables		**666,206**	1,826,291
Derivative financial instruments	*14*	**91,786**	84,792
Pledged bank deposits		**35,174**	66,208
Cash and cash equivalents		**2,674,857**	2,161,795
		10,797,272	11,707,456
Total assets		**21,572,140**	22,811,172

	Note	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 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		**1,062,751**	1,054,138
Retained earnings		**7,808,730**	7,535,924
		9,430,498	9,149,079
Non-controlling interests		**490,261**	606,279
Total equity		**9,920,759**	9,755,358
LIABILITIES			
Non-current liabilities			
Borrowings		**3,494,165**	3,577,553
Lease liabilities		**135,691**	162,270
Deferred income tax liabilities		**174,737**	198,093
		3,804,593	3,937,916
Current liabilities			
Trade and bills payables	*12*	**943,198**	868,848
Contract liabilities		**214,475**	481,177
Accruals and other payables		**641,099**	849,954
Current income tax liabilities		**44,907**	222,293
Borrowings		**4,102,073**	4,145,651
Supply chain financing	*13*	**1,834,176**	2,495,882
Derivative financial instruments	*14*	**31,012**	7,055
Lease liabilities		**35,848**	47,038
		7,846,788	9,117,898
Total liabilities		**11,651,381**	13,055,814
Total equity and liabilities		**21,572,140**	22,811,172

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.

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 2024 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 26 August 2024.

This condensed consolidated financial statements have not been audited.

This condensed consolidated financial statements for the six months ended 30 June 2024 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 2023, 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 2023, 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) Amended standards and interpretations adopted by the Group

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

Classification of Liabilities as Current or Non-current and Non-current liabilities with Covenants — Amendments to HKAS 1

Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause — HK Int 5 (Revised)

Lease Liability in Sale and Leaseback — Amendments to HKFRS 16

Supplier Finance Arrangements — Amendments to HKAS 7 and HKFRS 7

(b) The following amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2024 and have not been early adopted by the Group:

Amendments to HKAS 21 'Lack of Exchangeability', effective for annual period beginning on or after 1 January 2025.

The Group is assessing the full impact of the 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 92.4% and 7.2% (for the six months ended 30 June 2023: 91.3% and 8.0%) 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 2024 is as follows:

	Unaudited													
	Six months ended 30 June 2024													
	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	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*	*RMB'000*	*RMB'000*
Total revenue	10,679,897	3,541,137	220,734	213,649	1,334,650	483,559	511,294	211,826	231,347	26,096	50,417	238,877	80,909	17,824,392
Inter-segment revenue	(3,060,492)	(2,461,486)	(134,319)	(2,111)	(32,897)	(411,013)	(150,095)	(22,799)	(231,347)	—	(41,242)	—	(33,062)	(6,580,863)
Revenue (from external customers)	7,619,405	1,079,651	86,415	211,538	1,301,753	72,546	361,199	189,027	—	26,096	9,175	238,877	47,847	11,243,529
Timing of revenue recognition — At a point in time	7,619,405	1,079,651	86,415	211,538	1,301,753	72,546	361,199	189,027	—	26,096	9,175	238,877	47,847	11,243,529
Segment results	394,913	143,547	(22,723)	(4,267)	17,638	33,571	16,272	3,313	(1,491)	(7,289)	(14,138)	58,133	17,669	635,148
Unallocated losses														(24,692)
Operating profit														610,456
Finance income														37,925
Finance costs														(262,619)
Share of losses of investments accounted for using the equity method														(20,649)
Income tax expense														(82,844)
Profit for the period														282,269
Depreciation and amortisation	(218,961)	(139,624)	(32,816)	(9,898)	(33,897)	(21,894)	(18,058)	(4,040)	(10,680)	—	(15,751)	(33)	(5,903)	(511,555)

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 assets and liabilities as at 30 June 2024 are as follows:

	Unaudited													
	As at 30 June 2024													
	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**	**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***	***RMB'000***	***RMB'000***
Total segment assets	**9,090,505**	**5,335,591**	**1,010,994**	**430,487**	**2,272,972**	**622,464**	**628,530**	**286,653**	**419,868**	**4,151**	**478,542**	**286,791**	**350,319**	**21,217,867**
Unallocated assets														**354,273**
Total assets of the Group														**21,572,140**
Total segment liabilities	**(4,572,684)**	**(2,877,379)**	**(960,982)**	**(262,987)**	**(244,960)**	**(519,803)**	**(417,421)**	**(106,487)**	**(335,696)**	**(55)**	**(493,824)**	**(144,027)**	**(308,627)**	**(11,244,932)**
Unallocated liabilities														**(406,449)**
Total liabilities of the Group														**(11,651,381)**
Addition to non-current assets	**99,114**	**119,753**	**1,650**	**12,391**	**1,983**	**32,147**	**10,740**	**7,770**	**1,898**	**—**	**2,553**	**—**	**—**	**289,999**

The segment assets and liabilities as at 31 December 2023 are as follows:

	As at 31 December 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	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*	*RMB'000*	*RMB'000*
Total segment assets	8,270,885	5,317,237	1,239,803	451,234	3,196,269	858,792	568,174	344,806	448,149	4,563	490,483	495,389	365,095	22,050,879
Unallocated assets														760,293
Total assets of the Group														22,811,172
Total segment liabilities	(4,794,702)	(2,730,622)	(968,097)	(289,962)	(617,767)	(635,743)	(332,710)	(202,918)	(365,251)	(373)	(498,084)	(414,740)	(353,493)	(12,204,462)
Unallocated liabilities														(851,352)
Total liabilities of the Group														(13,055,814)
Addition to non-current assets	218,189	125,636	51,060	1,144	83,459	65,146	16,640	3,028	11,445	—	2,195	—	321,059	899,001

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

	Unaudited Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Other income — net		
Subsidy income *(a)*	**72,211**	48,967
Rental income	**26,037**	20,277
Depreciation of investment properties	**(14,585)**	(11,960)
Total other income — net	**83,663**	57,284
Other (losses)/gains — net		
Derivative financial instruments at fair value through profit or loss:		
— Realised profits	**75,909**	12,363
— Unrealised (losses)/profits	**(16,963)**	210,544
Financial assets at fair value through profit or loss:		
— Realised profits	**2,088**	1,351
Net foreign exchange (losses)/gains	**(123,783)**	72,963
Others	**41,633**	(9,497)
Total other (losses)/gains — net	**(21,116)**	287,724

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	
	2024	2023
	RMB'000	*RMB'000*
Cost of inventories	**7,846,768**	8,529,371
Employment benefit expenses	**1,189,609**	1,277,413
Utilities	**723,430**	714,797
Depreciation and amortisation	**496,970**	560,530
Transportation costs	**171,898**	175,265

5. FINANCE COSTS — NET

	Unaudited Six months ended 30 June 2024 RMB'000	2023 RMB'000
Interest expenses		
— Borrowings	**240,368**	274,692
— Lease liabilities	**3,503**	5,971
Less: finance costs capitalised in building and machinery in property, plant and equipment	**(2,020)**	—
	241,851	280,663
Net exchange losses on financing activities	**20,768**	80,316
Total finance costs incurred	**262,619**	360,979
Finance income — interest income on bank deposits	**(37,925)**	(43,483)
Net finance costs	**224,694**	317,496

6. INCOME TAX EXPENSE/(CREDIT)

	Unaudited Six months ended 30 June 2024 RMB'000	2023 RMB'000
Current tax on profits for the period	**75,834**	82,217
Deferred income tax	**7,010**	(133,802)
	82,844	(51,585)

(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 2023: 16.5%).

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

Effective from 1 January 2008, the subsidiaries established in Mainland China are required to pay income tax at a rate of 25% in accordance with the Corporate Income Tax Law of the PRC.

As approved by the relevant tax bureau in Mainland China, sixteen subsidiaries of the Company in the PRC obtained High and New Technology Enterprises ("HNTE") status and are entitled to a preferential tax rate of 15% during the period (for the six months ended 30 June 2023: sixteen subsidiaries). The status is subject to a requirement that these subsidiaries reapply for HNTE status every three years.

(c) Vietnam income tax

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 2023: 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 2023: 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 an income tax rate of 12% (for the six months ended 30 June 2023: 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 period (for the six months ended 30 June 2023: nil).

The Company's subsidiary established in Uruguay is subject to an income tax rate of 25% (for the six months ended 30 June 2023: 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 2023: 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 2023: 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 2023: 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 2023: 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 2023: exempted).

The Company's subsidiaries established in Samoa are exempted from profits tax during the period (for the six months ended 30 June 2023: exempted).

The Company's subsidiary established in Turkey is subject to income tax at the rate of 25% (for the six months ended 30 June 2023: 20%).

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 2023: 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 2023: 30%).

The Company's subsidiaries established in Honduras are subject to income tax at the rate of 25%(for the six months ended 30 June 2023: 25%).

(e) OECD Pillar Two model rules

The Group has operation mainly in Mainland China, Hong Kong, Vietnam and Americas. It is within the scope of the OECD Pillar Two model rules. As of the reporting date, there is no public announcement in Mainland China and Americas. Hong Kong has announced that it plans to implement the Global Minimum Tax and Hong Kong Domestic Minimum Top-up Tax starting from 2025 onwards but it is still under public consultation with the expectation that draft legislation will be published in the second half of 2024. Vietnam finally approved the Global Minimum Tax and Qualified Domestic Minimum Top-up Tax which took effect from 1 January 2024.

Under the legislation, the Group is liable to pay a top-up tax for the difference between the Global Anti-Base Erosion Proposal ('GloBE') effective tax rate for each jurisdiction and the 15% minimum rate. All entities in principal area of operation within the Group have an effective tax rate that exceeds 15%, except for subsidiaries that operates in Vietnam.

For the six months ended 30 June 2024, the average effective tax rate (calculated in accordance with paragraph 86 of HKAS 12) of the entity operating in Vietnam is 12.20%.

The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. This assessment indicates for Vietnam that the average effective tax rate based on accounting profit is 12.20% for the six months ended 30 June 2024. However, although the average effective tax rate is below 15%, the Group might not be exposed to paying Pillar Two income taxes in relation to Vietnam. This is due to the impact of specific adjustments envisaged in the Pillar Two legislation which give rise to different effective tax rates compared to those calculated in accordance with paragraph 86 of HKAS 12 and the exposure to paying Pillar Two income taxes might be deducted by the recognised deferred tax assets relating to tax losses.

Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate above 15%, there may still be Pillar Two tax implications. The Group is currently engaged with tax specialists to assist them with applying the legislation.

7. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) 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	
	2024	2023
Profit/(loss) attributable to owners of the Company *(RMB'000)*	**269,938**	(747,197)
Weighted average number of ordinary shares in issue *(thousands)*	**918,000**	918,000
Basic earnings/(loss) per share *(RMB per share)*	**0.29**	(0.81)

(b) Diluted

For the six months ended 30 June 2024 and 2023, diluted earnings/(loss) per share was the same as the basic earnings/(loss) per share since the Company did not have diluted shares.

8. DIVIDENDS

No final dividend that is related to the year ended 31 December 2023 was paid during the period (2023: nil).

In addition, an interim dividend of HKD0.10 per share (2023: nil) was proposed by the board of directors on 26 August 2024. It will be payable on or about 18 October 2024 to shareholders whose names are on the register on 30 September 2024. This interim dividend, amounting to RMB83,786,000 (2023: nil), 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 2024.

9. INVENTORIES

	Unaudited 30 June 2024 *RMB'000*	Audited 31 December 2023 *RMB'000*
Raw materials	**3,026,107**	3,076,504
Work-in-progress	**312,476**	360,810
Finished goods	**2,019,421**	2,149,564
	5,358,004	5,586,878
Less: provision for write-down of inventories to net realisable value	**(287,891)**	(342,295)
	5,070,113	5,244,583

10. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2024 *RMB'000*	Audited 31 December 2023 *RMB'000*
Trade receivables	**1,308,921**	1,139,523
Bills receivable	**457,598**	460,758
	1,766,519	1,600,281
Less: provision for impairment	**(53,486)**	(28,804)
	1,713,033	1,571,477

As at 30 June 2024, included in the trade receivables were amounts due from related parties of RMB28,815,000 (31 December 2023: RMB25,136,000).

The fair values of trade and bills receivables approximated their carrying amounts at the balance sheet date.

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 2024 ***RMB'000***	Audited 31 December 2023 *RMB'000*
Within 30 days	**909,646**	953,266
31 to 90 days	**593,081**	439,782
91 to 180 days	**80,488**	92,457
181 days to 1 year	**96,070**	50,451
Over 1 year	**87,234**	64,325
	1,766,519	1,600,281
Less: provision for impairment	**(53,486)**	(28,804)
Trade and bills receivables — net	**1,713,033**	1,571,477

There is no concentration of credit risk with respect to trade and bills receivables, as the Group has a large number of customers.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Unaudited 30 June 2024 ***RMB'000***	Audited 31 December 2023 *RMB'000*
Current — bills receivables	**292,298**	336,761

Bills receivables held both by collecting contractual cash flows and selling of these assets are classified as financial assets at fair value through other comprehensive income.

12. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2024 ***RMB'000***	Audited 31 December 2023 *RMB'000*
Trade payables	**831,867**	779,731
Bills payable	**111,331**	89,117
	943,198	868,848

As at 30 June 2024, included in the trade payables were amounts due to related parties of RMB47,560,000 (31 December 2023: RMB21,802,000).

The fair values of trade and bills payables approximated their carrying amounts at the balance date.

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 2024 *RMB'000*	Audited 31 December 2023 *RMB'000*
Within 90 days	**810,535**	809,169
91 to 180 days	**89,345**	33,252
181 days to 1 year	**23,373**	13,041
Over 1 year	**19,945**	13,386
	943,198	868,848

13. SUPPLY CHAIN FINANCING

	Unaudited 30 June 2024 *RMB'000*	Audited 31 December 2023 *RMB'000*
Current		
Guaranteed *(Note (a))*	**1,634,176**	2,495,882
Unguaranteed	**200,000**	—
	1,834,176	2,495,882

Note (a):

As at 30 June 2024, supply chain financing of RMB1,634,176,000 (31 December 2023: RMB2,495,882,000) were guaranteed by certain subsidiaries of the Group.

The carrying amounts of the supply chain financing are denominated in RMB, USD, HKD and EUR.

At 30 June 2024, the Group's supply chain financing were repayable within 1 year.

14. DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 June 2024 *RMB'000*	Audited 31 December 2023 *RMB'000*
Assets:		
Forward foreign exchange contracts *(Note (a))*	**85,202**	39,843
Cross currency swap contracts *(Note (b))*	**4,517**	44,949
Cotton option contracts *(Note (c))*	**1,723**	—
Cotton future contract *(Note (d))*	**344**	—
	91,786	84,792
Liabilities:		
Forward foreign exchange contracts *(Note (a))*	**26,817**	6,506
Cross currency swap contracts *(Note (b))*	**3,909**	—
Cotton option contracts *(Note (c))*	**286**	—
Cotton future contract *(Note (d))*	**—**	549
	31,012	7,055

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

Notes:

(a) The forward foreign exchange contracts as at 30 June 2024 comprised one hundred and twenty-five contracts with notional principal amounts totaling RMB5,155,875,000 (31 December 2023: one hundred and six contracts with notional principal amounts totaling RMB3,801,423,000).

(b) The cross currency swap contracts as at 30 June 2024 comprised three contracts with notional principal amounts totaling RMB396,112,000 (31 December 2023: five contracts with notional principal amounts totaling RMB659,327,000).

(c) The cotton option contract as at 30 June 2024 comprised six contracts with notional principal amount totaling USD1,304,000 (31 December 2023: no cotton option contract).

(d) The cotton future contract as at 30 June 2024 comprised one contract with notional principal amount of USD3,950,000 (31 December 2023: one contract with notional principal amount of USD5,268,000).

OVERVIEW

We are pleased to report to the shareholders of the Company (the "Shareholders") the unaudited consolidated financial results of the Group for the six months ended 30 June 2024 (the "Review Period"). During the Review Period, the pace of economic growth in China decelerated due to the economic downturn caused by the destocking of the real estate sector. Amidst concerns over the slowdown in future economic growth, household savings rose continuously while household consumption continues the "downgraded consumption" trend in 2023. On the demand side, the current scenario of "increasing volume with decreasing prices" in the retail market indicates that the consumer demand is insufficient to absorb the domestic supply despite the robust domestic demand. Meanwhile, the high interest rates in developed economies, such as the United States (the "U.S."), combined with the escalating consumer prices fueled by the significant inflation level, have raised the cost of consumption for households, thereby dampening the resurgence of demand in the textile industry. However, from an inventory perspective, both downstream textile brand owners and fabric manufacturers transitioned into a restocking phase after actively destocking in 2023, leading to a revival in market demand for the textile industry during the Review Period.

In addition, the geopolitical tensions among the major powers have intensified, precipitating a heightened state of global instability, uncertainty, and unpredictability. Such all-round competition has triggered the raising of numerous trade barriers, exerting pressure on the recovery of demand in the textile industry during the Review Period. On the other hand, China is currently undergoing a shift from a real estate-focused economy to a consumption-driven one, and has introduced a series of "trade-in" policies to facilitate consumption transformation and upgrading. Simultaneously, with inflation levels in the U.S. brought under greater control, the U.S. Federal Reserve has disseminated that a change in monetary policy is imminent. All these factors are anticipated to further bolster consumption sentiment among residents of both China and the U.S., thereby driving a further recovery of the global textile industry. Despite the complexities of the economic environment, the Group demonstrated a high degree of flexibility and business resilience that translated to improved profitability in the first half of 2024 compared to the corresponding period of last year, which was achieved through proactively adjusting its product mix and focusing on differentiated markets.

As a result of the abovementioned factors, the Group's revenue increased by approximately 4.2% from approximately RMB10.8 billion for the corresponding period of last year to approximately RMB11.2 billion for the Review Period. The Group's overall gross profit margin increased from approximately 2.4% for the corresponding period of last year to approximately 13.2% for the Review Period, the profit brought from which was partially offset by foreign exchange losses due to the depreciation of Vietnamese dong during the Review Period. The net profit of the Group, the profit attributable to owners of the Company, and basic earnings per share were approximately RMB282.3 million, RMB269.9 million and RMB0.29, respectively, for the Review Period, while the net loss of the Group, the loss attributable to owners of the Company and basic loss per share for the corresponding period of last year were approximately RMB740.2 million, RMB747.2 million and RMB0.81, respectively. During the Review Period, the Group continued to implement a strict working capital control policy, therefore, the working capital of the Group decreased as compared with the corresponding period of last year. The Group's gearing ratio as of 30 June 2024 stood at 54%, compared with 57% as of the end of last year.

INDUSTRY REVIEW

According to the National Bureau of Statistics of the People's Republic of China (the "PRC"), between January and June 2024, enterprises with a sizable capacity in the textile industry recorded an aggregate revenue of approximately RMB1,130.0 billion, representing a year-on-year increase of approximately 4.5%, with net profit at approximately RMB32.3 billion, representing a year-on-year increase of approximately 19.3%. Sizable garment and apparel enterprises recorded revenue of approximately RMB568.2 billion, representing a year-on-year increase of approximately 1.0%, with net profit at approximately RMB24.1 billion, representing a year-on-year decrease of approximately 1.8%. With respect to production volume, between January and June 2024, yarn, fabric and synthetic fiber production amounted to approximately 10.9 million tonnes, 15.9 billion metres and 38.8 million tonnes, respectively, representing a year-on-year decrease of approximately 1.5%, a year-on-year increase of 2.1% and a year-on-year increase of 13.2%, respectively.

According to the General Administration of Customs of the PRC, between January and June 2024, the aggregate export value of textile apparel was approximately US$143.2 billion, representing a year-on-year increase of approximately 0.3%. Among these exports, approximately US$69.4 billion was attributable to textiles and approximately US$73.8 billion to garments, representing a year-on-year increase of approximately 3.3% and no change in year-on-year, respectively.

According to the General Department of Vietnam Customs, between January and June 2024, the export volume of yarns and staple fibers manufactured in Vietnam increased by approximately 7.4% to approximately 895,000 tonnes, with an increase of approximately 4.5% in revenue to approximately US$2.2 billion. Also, the revenue of garment exports increased by approximately 4.6% to approximately US$16.5 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, which primarily target the overseas market. During the Review Period, revenue from the sale of yarns increased by approximately 8.9% as compared to the corresponding period of last year to approximately RMB8,812.3 million. During the Review Period, the proportion of revenue from yarn sales to the Group's total revenue increased to 78.4% from 75.0% for the corresponding period of last year. This can be partially attributed to the sharp decline in knitted garment fabric sales resulting from the disposal of the knitted garment fabric factory in Vietnam in November 2023, and it also further demonstrates that the Group's strategy of focusing on its core business has been further consolidated.

Yarn operations

As aforementioned, the overall consumer purchasing power in the global market is weak, indicating a trend of "downgraded consumption". Coupled with the aggravation of trade barriers caused by political and economic tensions among major countries, as well as disruptions in logistics caused by the "Red Sea Shipping Crisis", the recovery of demand in the global textile industry remained sluggish during the Review Period. With respect to industry consumption patterns, the increasing interest in outdoor sports among consumers has propelled the demand for functional sportswear, creating structural growth opportunities for related yarn products. During the Review Period, the Group proactively captured such market opportunities and developed products to meet the market demand, driving the sales volume of yarns to approximately 372,000 tonnes, representing an increase of approximately 6.6% as compared with the corresponding period of the previous year.

During the Review Period, the Group's production capacity utilisation rate, particularly in overseas factories, experienced a notable increase compared with the corresponding period of last year. Additionally, with the clearance of almost all relatively high-cost inventory in the previous year, the average gross profit margin of yarns surged to 12.5%, a significant rise from 0.7% recorded for the same period of last year.

Grey fabric operations

During the Review Period, the Group's sales volume of grey fabrics was approximately 21.9 million metres, representing a decrease of approximately 14.8% as compared with the corresponding period of last year, which was mainly because more capacity of the Group's grey fabrics were used for the production of its own woven garment fabrics, and the sales revenue also decreased to approximately RMB189.0 million. Mainly due to the adjustment in product mix of grey fabrics, the gross profit margin increased to 6.0% from 4.4% recorded in the same period of last year.

Woven garment fabric operations

Woven garment fabrics are primarily sold in overseas markets. Due to the weaker-than-expected recovery of demand in the overseas market, and the relatively slow response to changes in demand for the main product, workwear, the sales volume of woven garment fabrics during the Review Period decreased modestly by 1.6% to approximately 43.6 million metres, compared to approximately 44.3 million metres in the corresponding period of the previous year. Capitalising on the longer order cycle of woven garment fabrics and the downward trend in cotton yarn costs in the second quarter this year, the Group proactively improved its capacity utilisation rate and strictly controlled various energy consumption costs. Additionally, as the woven fabric business is primarily transacted in U.S. dollars, which appreciated against the RMB during the Review Period, the gross profit margin of woven garment fabrics increased from 12.1% in the corresponding period of last year to 18.8% for the Review Period.

Knitted garment fabric operations

Due to the disposal of the Group's loss-making Vietnam factory to the Texwinca Group in November 2023, the production capacity of knitted garment fabrics of the Group declined sharply as compared with the corresponding period of last year. The sales volume of knitted garment fabrics during the Review Period decreased to approximately 5,800 tonnes from approximately 7,700 tonnes for the corresponding period of last year, and the sales revenue also contracted by 25.5% to approximately RMB298.7 million from approximately RMB401.1 million for the corresponding period of last year. Nonetheless, the Group further optimized its organisational structure and deepened its focus on niche markets following the factory disposal in Vietnam, while simultaneously exercising strict control over various expenditures. These measures contributed to a modest recovery in the gross profit margin, rising to 11.4% from 9.2% for the corresponding period of last year.

Trading operations

Trading operations mainly comprise the trading business of cotton, yarns, garment fabrics and garments, with a primary focus on the U.S. denim fabric and garment trading business. The Group trades in cotton and yarns business opportunistically on a real-time basis according to market conditions, and the sales of the trading business of this segment decreased in the Review Period compared to the corresponding period of last year. Additionally, during the Review Period, demand in the U.S. market recovered less than expected due to inflation coupled with the local demand for denim-related apparel declining because of the change in consumption trend. Combined with the above factors, the sales revenue from trading operations fell to approximately RMB630.0 million. The gross profit margin rose from 5.7% for the corresponding period of last year to 12.3% during the Review Period due to a different sales mix.

Non-woven fabric operations

The non-woven fabric business, which is a non-essential product, has fallen short of expectations in recent years due to the increase in living expenses brought about by global inflation. In particular, the market demand for non-woven fabrics related to pandemic products further declined after the end of the COVID-19 pandemic. The Group has been continuously adjusting the product structure of non-woven fabrics to adapt to the changes in market demand. Concurrently, the Group has been actively exploring opportunities in overseas markets while further promoting 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 from non-woven fabrics increased to approximately RMB35.3 million as compared with approximately RMB34.1 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 of last year is set out below:

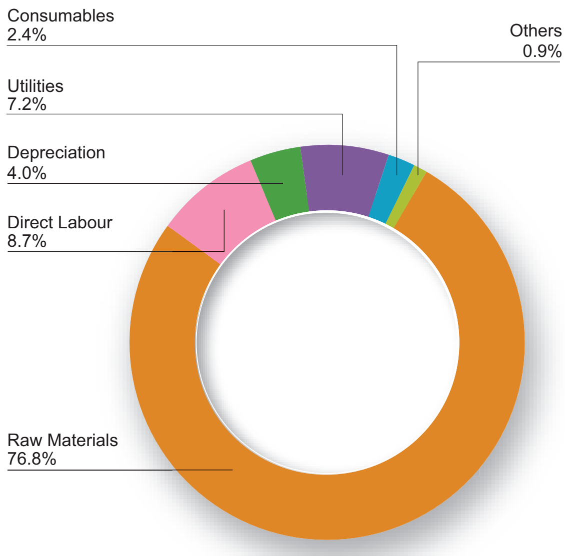
	Revenue from January to June 2024 *RMB'000*	Revenue from January to June 2023 *RMB'000*	**Revenue change**
Yarns	**8,812,311**	8,091,576	**8.9%**
Grey fabrics	**189,027**	244,973	**−22.8%**
Woven garment fabrics	**991,499**	1,024,281	**−3.2%**
Knitted garment fabrics	**298,725**	401,089	**−25.5%**
Jeanswear	**—**	19,186	**−100.0%**
Trading	**629,972**	979,179	**−35.7%**
Non-woven fabrics	**35,271**	34,135	**3.3%**
Others	**286,724**	—	**—**
Total	**11,243,529**	10,794,419	**4.2%**

	Sales Volume		Selling price		Gross profit margin	
	January to June 2024	January to June 2023	**January to June 2024**	January to June 2023	**January to June 2024**	January to June 2023
Yarns (Tonnes/RMB per tonne)	**372,004**	349,090	**23,689**	23,179	**12.5%**	0.7%
Grey fabrics (Million metres/ RMB per metre)	**21.9**	25.7	**8.6**	9.5	**6.0%**	4.4%
Woven garment fabrics (Million metres/RMB per metre)	**43.6**	44.3	**22.7**	23.1	**18.8%**	12.1%
Knitted garment fabrics (Tonnes/ RMB per tonne)	**5,774**	7,721	**51,736**	51,948	**11.4%**	9.2%
Jeanswear (Million pieces/RMB per piece)	**—**	0.4	**—**	48.0	**—**	−19.7%
Non-woven fabrics (Tonnes/ RMB per tonne)	**1,404**	1,560	**25,122**	21,881	**−40.2%**	−60.7%

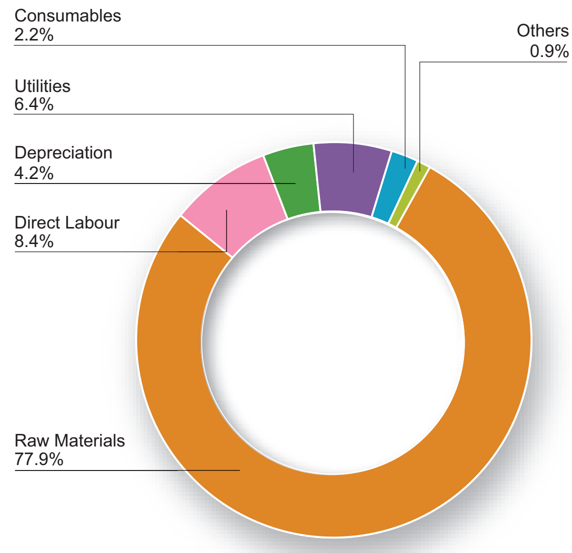
The Group's overall gross profit margin increased from approximately 2.4% for the six months ended 30 June 2023 to approximately 13.2% for the six months ended 30 June 2024. During the Review Period, the Group's production capacity utilisation rate, particularly in overseas factories, experienced a notable increase compared with the corresponding period last year, coupled with the clearance of almost all relatively high-cost inventories in 2023, which led to a significant increase in the Group's gross profit margin.

The Group's cost of sales amounted to approximately RMB9,764.0 million during the Review Period. The cost of raw materials accounted for approximately 76.8% of the total cost of sales for the six months ended 30 June 2024.

The breakdown of the Group's cost of sales for the six months ended 30 June 2024 as compared with the cost of sales for the six months ended 30 June 2023 is shown below:



January to June 2024



January to June 2023

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.

Technological innovation and sustainable development are key to the Group's progress. In recent years, we have invested considerable resources in continuously exploring ways to upgrade our fiber materials. With years of experience in research, development and production of cotton fibers, we have extended the relevant technology to other natural fibers, significantly enhancing the performance and wearability of these natural fibers. In addition, we have optimized the processing technology for pre-consumer recycled fibers. Through advanced processes, we ensure that recycled fibers maintain their environmental characteristics while also providing product effects comparable to traditional fibers. This technology not only reduces reliance on natural resources, but also promotes the development of circular economy and contributes to the achievement of carbon neutrality.

The Chinese textile market continues to be the Group's major market. In the first half of 2024, the demand for textiles from overseas markets recovered slightly as compared with the same period of last year. Consequently, the proportion of the Group's sales derived from the Chinese market decreased modestly to approximately 66.3% during the Review Period from approximately 67.4% for the corresponding period of last year. The Group's ten largest customers accounted for approximately 12.9% of its total revenue for the six months ended 30 June 2024.

PROSPECTS

During the Review Period, the Group implemented a prudent investment strategy. As at 30 June 2024, the Group's major production facilities were equipped with approximately 4.15 million spindles, basically consistent with the previous year's production capacity, of which approximately 2.41 million spindles were located in the PRC and approximately 1.74 million spindles were located overseas (mainly in Vietnam), along with approximately 1,650 weaving and knitting machines and related dyeing equipment. Due to technological transformation and upgrade and the reallocation of production capacity, the Group disposed of certain obsolete equipment during the Review Period.

At present, the textile industry has undergone a destocking phase spanning 2022 to 2023, and overstock was nearly cleared in 2023. Global downstream apparel brands have gradually transitioned into a restocking phase, stimulating a rebound in orders in the upstream textile industry. On the other hand, cotton prices have gradually declined since the second quarter of this year, causing the textile industry to become relatively cautious in its stockpiling strategy after just experiencing the risk of overstock. Meanwhile, under the influence of intensifying geopolitical conflicts and the strategic rivalry among the major powers, combined with the anticipation of decelerating economic growth, household consumption has not only demonstrated a downgraded consumption trend, but also a "K-shaped consumption" trend. Consumers are shifting towards high value-for-money products, while the luxury consumption market is more differentiated. Considering the above factors, the textile industry is expected to continue recovering slowly, accompanied by the emerging opportunities for structural investments. Differentiated and niche market products are poised to garner market favour. Over recent years, the Group has steadfastly concentrated on the ongoing research and development of differentiated products. In the long run, shifts in consumer trends will deliver new market opportunities for the development of the Group.

The supply chain of the textile industry is increasingly developing towards digitalisation, intelligentization, premiumisation and integration. The accelerated adoption of new manufacturing paradigms like personalised customisation and flexible supply chains will effectively assist textile enterprises in driving technological and business model innovation, and supply chain enhancements. It will enable continuous exploration of market potential, invigorate operational dynamism, and cultivate enhanced quality productivity for advancement. The Group will actively embrace this transformation, enhance its "internal growth" by carrying out technological upgrades to its existing equipment, so as to boost production efficiency and curb production costs, thereby increasing rates of return on investment.

In recent years, total global carbon emissions have been on the rise. Major economies are dedicated to reducing greenhouse gas emissions and expediting the shift towards a low-carbon economy. Against this backdrop, the Group has also increased its investments in battery storage systems and distributed photovoltaic power plants to reduce carbon emissions stemming from energy consumption during production, as well as to lower energy consumption costs. For further details as to the services regarding photovoltaic power plants provided to the Group, please refer to the section headed "Subsequent events after the Review Period" below. Barring any unforeseen circumstances, the installation and commencement of operation of distributed photovoltaic power plants in the PRC are scheduled for the second half of this year and next year.

The Group will also persist with its existing strategy to enhance or divest certain low efficiency or less profitable assets or businesses in order to concentrate on the sub-sectors of its core business and strengthen its industry moat. At the same time, it will boost investment in the research and development of green and environmentally friendly products, with the aim of achieving breakthroughs in differentiated new products and seizing market opportunities.

Based on prevailing market conditions and excluding sales from the trading operation, the Group targets to sell approximately 400,000 tonnes of yarns, 48 million metres of woven garment fabrics and 6,000 tonnes of knitted garment fabrics in the second half of 2024.

Subsequent events after the Review Period

On 26 April 2024, Shanghai Hongguang Yinyu New Energy Technology Co., Ltd.* (上海虹光銀宇新能源科技有限公司) ("Shanghai Hongguang") (an indirect wholly-owned subsidiary of the Company) (for itself and on behalf of other members of the Group) entered into an agreement with Shanghai Hongyun Engineering Construction Co., Ltd* (上海虹雲工程建設有限公司) ("Shanghai Hongyun"), a company ultimately owned as to 78% by Mr. Hong Tianzhu, the chairman of the Board and an executive Director; and as to 22% by Mr. Zhu Yongxiang, the vice chairman of the Board, chief executive officer and an executive Director, for the provision of photovoltaic installation and construction services to the Group at a maximum consideration of RMB93.0 million. On 26 July 2024, such agreement was terminated in order to, among others, allow the parties to adopt a more flexible service and pricing model for services in relation to photovoltaic projects and a greater total installed capacity for the photovoltaic projects, and Shanghai Hongguang (for and on behalf of other members of the Group) and Shanghai Hongyun (for and on behalf of certain other companies outside the Group which are ultimately owned as to 78% by Mr. Hong Tianzhu and as to 22% by Mr. Zhu Yongxiang) entered into an agreement for the provision of customised supply chain management consulting and agency services regarding photovoltaic projects to the Group at a maximum consideration of RMB170.0 million. For further details of the aforementioned agreements, please refer to the announcements of the Company dated 26 April 2024 and 26 July 2024.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 June 2024, the Group's bank and cash balances (including pledged bank deposits) amounted to approximately RMB2,710.0 million (as at 31 December 2023: RMB2,228.0 million). The bank and cash balances increased mainly due to the increase in operation activities cash inflow and the recovery of receivables from the disposal of subsidiaries.

As at 30 June 2024, the Group's inventories decreased by approximately RMB174.5 million to approximately RMB5,070.1 million (as at 31 December 2023: RMB5,244.6 million), and trade and bills receivables (including financial assets at fair value through other comprehensive income) increased by approximately RMB97.1 million to approximately RMB2,005.3 million (as at 31 December 2023: RMB1,908.2 million). The inventory turnover days and trade and bills receivables turnover days were approximately 95 days and 31 days for the Review Period respectively, as compared with approximately 109 days and 29 days for the year ended 31 December 2023 respectively. The decrease in inventory turnover days was mainly because the Group actively controlled inventory to improve working capital efficiency. The trade and bills receivables turnover days for the Review Period were slightly increased from those in last year, which was mainly due to the increase in sales overseas.

As at 30 June 2024, the trade and bills payables of the Group (including supply chain financing) decreased by approximately RMB587.4 million to approximately RMB2,777.4 million (as at 31 December 2023: RMB3,364.7 million), the trade and bills payables turnover days were approximately 57 days, as compared with approximately 72 days for the year ended 31 December 2023. The decrease in trade and bills payables and their turnover days were mainly due to the advanced settlement of part of a letter of credit by the Group during the Review Period.

As at 30 June 2024, the Group's borrowings decreased by approximately RMB127.0 million to approximately RMB7,596.2 million (as at 31 December 2023: RMB7,723.2 million), which was mainly due to the significant improvements in the operating conditions of the Group and the advanced repayment of bank borrowings. Such borrowings are denominated in the following currencies: as to approximately RMB4,359.8 million in RMB, as to approximately RMB1,927.1 million in Hong Kong dollars ("HK$" or "HKD"), as to approximately RMB725.0 million in U.S. dollars ("US$" or "USD") and as to approximately RMB584.3 million in Vietnamese dong ("VND").

As at 30 June 2024 and 31 December 2023, the Group's key financial ratios were as follows:

	As at 30 June 2024	As at 31 December 2023
Current ratio	**1.38**	1.28
Debt to equity ratio[1]	**0.81**	0.84
Net debt to equity ratio[2]	**0.52**	0.60
Gearing ratio[3]	**0.54**	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 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 currency fluctuation risk of RMB, the Group has purchased certain amount of forward foreign exchange contracts and cross currency swap contracts so that a significant portion of currency exposure is hedged against.

Capital expenditure

For the six months ended 30 June 2024, the capital expenditure of the Group amounted to approximately RMB290.0 million (for the six months ended 30 June 2023: RMB572.6 million). It mainly related to the yarn equipment upgrade renovation in Mainland China and Vietnam during the Review Period.

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 2024, bank borrowings of approximately RMB16.4 million (as at 31 December 2023: RMB53.7 million) were secured by bank deposits with a net carrying amount of approximately RMB16.0 million (as at 31 December 2023: RMB54.0 million). As at 30 June 2024 and 31 December 2023, bank borrowings of RMB200 million were secured by export tax rebates entitled to be collected.

Contingent liabilities

As at 30 June 2024, the Group had no material contingent liabilities (as at 31 December 2023: nil).

Human resources

As at 30 June 2024, the Group had a total workforce of 27,011 employees (as at 31 December 2023: 27,655), of whom 15,500 employees were based in the sales headquarters and our manufacturing plants in Mainland China. The remaining 11,511 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 12,698 female employees, accounted for 47.0% of the total number of employees as at 30 June 2024. During the Review Period, the Group incurred total staff costs of approximately RMB1.2 billion (for the six months ended 30 June 2023: approximately RMB1.3 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. The Board has resolved to declare an interim dividend of 10 HK cents per share for the six months ended 30 June 2024 to Shareholders whose names appear on the register of Shareholders of the Company in Hong Kong on 30 September 2024.

Closure of register of members

The register of members of the Company will be closed from 27 September 2024 to 30 September 2024, 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 18 October 2024), 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 2024.

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

There was no purchase, sale or redemption of any of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2024.

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 C1 to the Listing Rules. 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 changes in biographical information relating to the Directors during the Review Period required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

— Mr. Ye Lixin has been elected as an executive Director by the Shareholders at the annual general meeting of the Company with effect from the conclusion thereof held on 27 May 2024. Since then, he has also been appointed as director of certain subsidiaries of the Company. In compliance with Rule 3.09D of the revised Listing Rules which took effect on 31 December 2023, Mr. Ye Lixin obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 9 May 2024, and he has confirmed that he has understood his obligations as a director of the Company. For further information regarding Mr. Ye Lixin and his appointment, please refer to the circular and the announcement of the Company dated 19 April 2024 and 27 May 2024, respectively.

— The terms of remuneration of Mr. Hong Tianzhu and Mr. Zhu Yongxiang had been amended to allow them a special bonus for a particular financial year to be determined by the Board in its absolute discretion with reference to their performance with effect from 18 April 2024.

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 set out in Appendix C3 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, among others, 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 2024, 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")

The ESG committee of the Board comprises four members, namely, Mr. Zhu Yongxiang, Professor Tao Xiaoming, Professor Cheng Longdi and Mr. Shu Wa Tung, Laurence. Mr. Zhu Yongxiang 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, 26 August 2024

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

Executive directors:	Mr. Hong Tianzhu Mr. Zhu Yongxiang Mr. Ye Lixin
Independent non-executive directors:	Mr. Shu Wa Tung, Laurence Prof. Cheng Longdi Prof. Tao Xiaoming