TEXWINCA Holdings Limited (321.HK)
Announces FY2024/25 Interim Results

Net Profit Increased by 132.4% to HKD 102 Million
Vietnam Manufacturing Facility Started to Contribute Profit
E-Commerce Efforts in Retail Segment Yielded a Threefold GMV Increase

(Hong Kong – 14 November 2024) **Texwinca Holdings Limited** ("Texwinca" or the "Company", together with its subsidiaries, the "Group", stock code: 321.HK), one of the top one-stop listed textile enterprises, is pleased to announce the condensed consolidated interim results for the six months ended 30 September 2024.

As apparel retailers completed their inventory destocking earlier this year, there was a noticeable rebound in demand for the Group's textile products. During the period, the capacity of the production facilities in Dongguan, China was largely utilized. Also, with growing recognition by customers, the order book, utilization rate and profitability of the Group's newly acquired manufacturing facility in Vietnam continue to grow steadily. However, due to decline in domestic consumer spending, frequent travel abroad of locals and adverse weather conditions, had led to weaker-than-expected sales performance of the Group's retail segment in Hong Kong.

For the six months ended 30 September 2024, the Group's total revenue increased by 13.5% to HK$3,001 million, primarily driven by the increase in revenue contributed by the textile business segment. Benefiting from Baleno's optimization and integration plan as well as an increase in revenue of e-commerce business, the losses of the retail and distribution business have been narrowed, coupled with the recognition of gain from resumption of the Guangzhou warehouses. Profit for the period attributable to the ordinary equity holders of the Company amounted to HK$102 million, a year-on-year increase of 132.4%.

The Board has resolved to declare an interim dividend of HK1.0 cent (2023: HK5.0 cents) per ordinary share and a special interim dividend of HK3.0 cents per ordinary share, totaling HK4.0 cents per ordinary share for the six months ended 30 September 2024, representing a dividend payout ratio of 54.4%.

金通策略有限公司 **DLK Advisory Limited**
Room 906, 9/F, Nan Fung Tower, 88 Connaught Road Central, Hong Kong
Room 2012-14, Hong Kong Plaza, 188 Connaught Road West, Hong Kong
Tel: +852 2857 7101 Fax: +852 2857 7103 Website: www.dlkadvisory.com

Textile business

The revenue of the textile business increased by 25.0% year-on-year to HK$2,476 million, accounting for 82.5% of the Group's total revenue. During the period, the capacity of production facilities in Dongguan, China was largely utilized, coupled with improved production know-how and procedures, the Group achieved enhanced production output, margins and profitability. However, the persistent challenges and uncertainties in the macroeconomic environment prompted retailers to adopt a cautious approach in inventory replenishment. The Group expects that it will take additional time for market confidence to fully recover.

Despite these headwinds, after more than half year of integration and optimization, the Group's newly acquired manufacturing facility in Vietnam started to contribute profit to the Group. With growing recognition by its customers, the order book, utilization rate and profitability of the site continue to grow steadily. The Group has been receiving visits from potential customers at its Vietnam production base since the second quarter of this year. This shows strong market interest in the Group's China/Vietnam dual-production base model.

Retail and distribution business

The revenue of the retail and distribution business decreased by 20.8% year-on-year to HK$524 million, accounting for 17.5% of the Group's total turnover. The decrease in revenue was mainly due to the net decrease in the number of self-owned shops in the Chinese Mainland market and the weaker-than-expected sales performance in the Hong Kong market. The gross profit margin of retail and distribution business was 54.6%, representing an increase from last period's 52.8%.

In the Chinese Mainland market, the Group continues to implement its business optimization plan by reducing inefficient and underperforming shops during the period. As at 30 September 2024, the Group operated 269 shops in Chinese Mainland, representing a net decrease of 273 self-owned shops as compared to 30 September 2023. With a refined yet smaller sales network, there is a notable decrease in revenue contribution from the Chinese Mainland market. In June 2024, Baleno signed a resumption compensation agreement for a warehouse in Guangzhou, subsequently relocating its offices and warehouse to Dongguan in July 2024, completing its resource optimization plan. This integration is expected to enhance operational synergies and reduce costs. Additionally, by collaborating with E-commerce operators on multiple platforms, the Group experienced a threefold increase in its E-commerce business in terms of gross merchandise value during the period, showing promising results.

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However, the Group's business in Hong Kong faced unprecedented challenges. According to the Hong Kong Census and Statistics Department, the value of retail sales of wearing apparel recorded a year-on-year decrease of 16.3% to HK$17,499 million during the period. Decline in domestic consumer spending resulted from the absence of government consumption vouchers, frequent travel abroad of locals and adverse weather conditions, had led to weaker-than-expected sales performance of the segment.

Outlook

Entering the second half of the fiscal year of 2024/2025, the global economic environment remains fragile with challenges. Although the United States has made solid progress in curbing inflation, leading the Federal Reserve to lower interest rates, the risk of a global economic recession persists. Overseas retailers continue to adopt a relatively conservative approach in procuring textiles, and consumers are also being cautious with their spending. A full recovery across the industry remains a long way off.

Witnessing the surging demand for swift and flexible textile solutions, the Group remains committed to becoming a trustworthy partner for garment manufacturers and retailers, with a long-term goal of becoming a leading integrated fabric and apparel manufacturer in Asia. Following the successful integration and capacity expansion of the newly acquired facility in Vietnam, the Group looks forward to commencing the second phase of construction in year 2025 to further expand its capacity to satisfy the growing order books from global customers.

In the retail and distribution segment, while short-term challenges persist, achieving profitability continues to be the Group's top priority. Building on the successful transition to a lighter asset operating model, the Group aims to enhance its operational efficiency by boosting E-commerce sales through collaborations on a broader range of online platforms. In addition, the Group will introduce a wider array of functional apparels that meets rising consumer demands for high-value, comfortable, and aesthetically appealing clothing.

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About Texwinca Holdings Limited (Stock code: 321.HK)

Established in 1975, Texwinca was listed on The Stock Exchange of Hong Kong in 1992. The Company operates as one of the top one-stop listed textile enterprises, mainly engaging in the production and distribution of knitted fabrics, cotton yarn, and garments with dual-location manufacturing in Chinese Mainland and Vietnam. Texwinca operates its casual wear retail business under the brand name "Baleno" in Chinese Mainland, Hong Kong, Indonesia and other Asian regions. The Company is actively exploring global markets through consignment and franchise model, aiming to expand its presence worldwide.

For inquires, please contact:

DLK Advisory 金通策略
Tel: +852 2857 7101
Fax: +852 2857 7103

Appendix

Table 1：Overall Financial performance

	For the six months ended 30 September 2024		
HK$'million	***1H2024/25***	*1H2023/24*	**Change**
Revenue	**3,001**	2,644	+13.5%
Mainly includes:			
Textile business	**2,476**	1,981	+25.0%
Retail and distribution business	**524**	661	-20.8%
Gross profit	**720**	673	+7.0%
Net profit attributes to owners of the company	**102**	44	+132.4%
Gross profit margin *(%)*	**24.0%**	25.4%	-1.4pp
Return on total assets *(%)*	**2.4%**	1.3%	+1.1pp
Return on revenue *(%)*	**3.4%**	1.7%	+1.7pp

Table 2: Textile business performance and key financial indicators

HK$'million	**1H2024/25**	1H2023/24
Net sales	**2,476**	1,981
Gross profit margin (%)	**17.6**	16.3
Operating profit (note 1)	**128**	125
Capital expenditure	**282**	62

Note 1: *Exclude interest income, rental income, finance cost, compensation for the loss of inventories due to a fire accident*

Table 3：Retail and distribution business performance and key financial indicators

HK$'million	**1H2024/25**	1H2023/24
Net sales	**524**	661
Gross profit margin (%)	**54.6**	52.8
Operating loss (note 2)	**(100)**	(120)
Capital expenditure	**10**	14

Note 2: *Exclude interest income, rental income, finance cost and gain from resumption of land and buildings*

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Table 4：Market performance in different regions

Chinese Mainland

	1H2024/25	1H2023/24
Net sales *(HK$'million)*	**280**	387
Decrease in net sales *(%)*	**(28)**	(30)
Number of outlets*△	**503**	948

Hong Kong

	1H2024/25	1H2023/24
Net sales *(HK$'million)*	**227**	257
Increase/(decrease) in net sales *(%)*	**(12)**	1
Number of outlets *#	**86**	88

Indonesia

	1H2024/25	1H2023/24
Net sales *(HK$'million)*	**17**	17
Increase in net sales *(%)*	**-**	42
Number of outlets*#	**13**	11

* *As at the end of the reporting period*

\# *For self-owned stores*

△ *Including self-owned stores, consignment stores and franchise stores*

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