HINGTEX HOLDINGS LIMITED
興紡控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1968)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

Total revenue for the year ended 31 December 2018 decreased slightly by approximately 1.2% year-to-year to HK$640.7 million, as compared with total revenue of HK$648.2 million for the year ended 31 December 2017.

Net profit attributable to owners of the Company for the year ended 31 December 2018 decreased by 42.4% to HK$72.8 million, as compared with net profit of HK$126.5 million for the year ended 31 December 2017. Excluding the impact of the one-off listing expenses of HK$17.3 million that were recognised during the year ended 31 December 2018, the one-off listing expenses of HK$5.3 million, gain on disposals of property, plant and equipment of HK$1.9 million and the non-recurring imputed interest income on amounts due from related companies of HK$20.4 million recognised during the corresponding period in 2017, profit attributable to owners of the Company would have decreased by approximately 17.7% to HK$90.1 million (corresponding period in 2017: HK$109.5 million).

Basic earnings per Share for the year ended 31 December 2018 was HK13.14 cents as compared with basic earnings per Share of HK26.35 cents for the year ended 31 December 2017.

The board (the "Board") of directors (the "Directors") of Hingtex Holdings Limited (the "Company" or "Hingtex") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018, together with the comparative figures for the corresponding year in 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

		Year ended 31 December	
		2018	2017
	NOTES	***HK$'000***	*HK$'000*
Revenue	*4*	**640,724**	648,219
Cost of sales		**(440,111)**	(435,402)
Gross profit		**200,613**	212,817
Other income	*6*	**7,194**	27,234
Other gains and losses		**(508)**	2,699
Impairment losses, net of reversal		**136**	(169)
Selling and distribution expenses		**(25,561)**	(24,487)
Administrative expenses		**(69,382)**	(59,857)
Listing expenses		**(17,344)**	(5,315)
Share of profit of a joint venture		**139**	45
Finance costs		**(3,357)**	(1,272)
Profit before tax	*7*	**91,930**	151,695
Income tax expense	*8*	**(19,129)**	(25,217)
Profit and total comprehensive income for the year attributable to owners of the Company		**72,801**	126,478
EARNINGS PER SHARE			
— Basic (HK cents)	*9*	**13.14**	26.35

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2018

		At 31 December	
		2018	2017
	NOTES	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**90,973**	93,415
Prepaid lease payments		**18,434**	19,081
Other intangible assets		**5,140**	5,358
Goodwill		**1,184**	1,184
Interest in a joint venture		**4,247**	4,108
Structured bank deposits		**7,800**	7,800
Restricted bank deposits		**–**	19,435
Deferred tax assets		**133**	–
Total non-current assets		**127,911**	150,381
Current assets			
Inventories		**264,082**	212,455
Trade and other receivables	*11*	**89,302**	77,732
Prepaid lease payments		**647**	647
Amount due from a joint venture		**–**	3,495
Amounts due from directors		**–**	5,380
Restricted bank deposits		**4,054**	–
Bank balances and cash		**185,140**	153,957
Total current assets		**543,225**	453,666
Current liabilities			
Trade and other payables	*12*	**114,076**	194,624
Amount due to a joint venture		**166**	–
Amount due to a related company		**–**	739
Tax liabilities		**6,050**	28,042
Obligations under finance leases		**2,510**	1,220
Bank borrowings		**107,950**	80,616
Contract liabilities		**1,029**	–
Total current liabilities		**231,781**	305,241
Net current assets		**311,444**	148,425
Total assets less current liabilities		**439,355**	298,806

		At 31 December	
		2018	2017
	NOTES	***HK$'000***	*HK$'000*
Non-current liabilities			
Obligations under finance leases		**3,352**	1,153
Deferred tax liabilities		**6,978**	7,166
Total non-current liabilities		**10,330**	8,319
Net assets		**429,025**	290,487
Capital and reserves			
Share capital	*13*	**6,400**	1,605
Share premium		**164,701**	–
Reserves		**257,924**	288,882
Equity attributable to owners of the Company and total equity		**429,025**	290,487

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Hingtex Holdings Limited (the "Company") was incorporated in the Cayman Islands on 3 November 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 July 2018 (the "Listing Date").

In preparation of the proposed listing of the Company's shares on the Stock Exchange, the Group have completed a reorganisation on 23 March 2018 (the "Reorganisation"), and since then became the holding company of the entities comprising the group. The Company's immediate and ultimate holding company is Manford Investment Holdings Limited ("Manford Investment"), a company incorporated on 24 October 2017 in the British Virgin Islands ("BVI") under the laws of BVI with limited liability.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the manufacturing and sales of denim fabric.

The functional currency of the Company is United States Dollar ("US$"), as the sales activities of the Group are mainly denominated in US$, and the presentation currency of the Group is Hong Kong dollars ("HK$"), as the directors of the Company consider HK$ can provide more meaningful information to the Company's investors.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue*.

The Group recognises revenue from the following major sources of sales of denim fabrics:

- Non-stretchable denim fabrics
- Stretchable cotton denim fabrics
- Stretchable blended denim fabrics

Summary of effects arising from initial application of HKFRS 15

The initial application of HKFRS 15 on the Group's major revenue generating operation has no impact on the retained profits at 1 January 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

		Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under HKFRS 15 at 1 January 2018
		HK$'000	*HK$'000*	*HK$'000*
Current Liabilities				
Trade and other payables	*Note*	194,624	(208)	194,416
Contract liabilities	*Note*	–	208	208

Note: As at 1 January 2018, advances from customers of HK$208,000 previously included in trade and other payables related to sales of denim fabrics were reclassified to contract liabilities upon application of HKFRS 15.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included. The impact of applying HKFRS 15 on the Group's consolidated statement of profit or loss and other comprehensive income was insignificant.

Impact on the consolidated statement of financial position

	As reported *HK$'000*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Current Liabilities			
Trade and other payables	114,076	1,029	115,105
Contract liabilities	1,029	(1,029)	–

Impact on the consolidated statement of cash flows

	As reported *HK$'000*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Current Liabilities			
Decrease in trade and other payables	(73,500)	821	(72,679)
Increase in contract liabilities	821	(821)	–

2.2 HKFRS 9 *Financial Instruments and the related amendments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

		Trade and bills receivables	Deferred tax assets	Retained profits
		HK$'000	*HK$'000*	*HK$'000*
Closing balance at 31 December 2017 — HKAS 39		45,891	–	279,600
Effect arising from initial application of HKFRS 9:				
Remeasurement				
Impairment under ECL model	*Note*	(719)	155	(564)
Opening balance at 1 January 2018		45,172	155	279,036

Note:

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, except for those which had been determined as credit impaired under HKAS 39, the remaining balances of trade receivables have been grouped based on shared credit risk characteristics and past due analysis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, mainly bills receivables, other receivables, bank balances and cash, structured bank deposits and restricted bank deposits, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of HK$719,000 has been recognised against retained profits. The additional loss allowance is charged against trade and bills receivables. The additional deferred tax effect of HK$155,000 has been credited to retained profits.

All loss allowances for trade and bills receivables as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Trade and bills receivables
	HK$'000
At 31 December 2017 — HKAS 39	(222)
Amounts remeasured through opening retained profits	(719)
At 1 January 2018	(941)

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line item affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited) *HK$'000*	HKFRS 15 *HK$'000*	HKFRS 9 *HK$'000*	1 January 2018 (Restated) *HK$'000*
Non-current Assets				
Deferred tax assets	–	–	155	155
Current Assets				
Trade and other receivables	77,732	–	(719)	77,013
Current Liabilities				
Trade and other payables	194,624	(208)	–	194,416
Contract liabilities	–	208	–	208
Net Current Assets	148,425	–	(719)	147,706
Total Assets less Current Liabilities	298,806	–	(564)	298,242
Capital and Reserves				
Reserves	288,882	–	(564)	288,318
Equity attributable to owners of the Company and total equity	290,487	–	(564)	289,923

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening statement of financial position as at 1 January 2018 as disclosed above.

The net effects arising from the initial application of HKFRS 15 and HKFRS 9 on the carrying amount of interest in a joint venture on the opening consolidated financial statements and the consolidated financial statements for the current year was insignificant in the opinion of the directors of the Company.

2.4 New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[5] Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature as appropriate.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$10,868,000. A preliminary assessment indicated that these arrangements met the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$1,279,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group did not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group has elected the modified retrospective approach for the application of HKFRS 16 as lessee and recognised the cumulative effect of initial application to opening retained profits without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period.

4. REVENUE

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

	Year ended 31 December 2018 *HK$'000*
Types of goods or service	
Sales of denim fabrics	
Non-stretchable denim fabrics	**18,341**
Stretchable cotton denim fabrics	**69,466**
Stretchable blended denim fabrics	**546,103**
Others (note)	**6,814**
Total	**640,724**

Note: Others mainly includes revenue from sales of yarns.

	Year ended 31 December 2018 *HK$'000*
Timing of revenue recognition	
A point in time	**640,724**

Performance obligations for contracts with customers

The Group sells denim fabrics and yarns directly to customers, which are mainly garment manufacturers.

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specific locations (delivery). Following the delivery, the customers have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 120 days upon delivery.

The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

B. For the year ended 31 December 2017

An analysis of the Group's revenue for the year is as follows:

	Year ended 31 December 2017 *HK$'000*
Non-stretchable denim fabrics	38,921
Stretchable cotton denim fabrics	88,387
Stretchable blended denim fabrics	519,326
Others *(note)*	1,585
Total	648,219

Note: Others mainly includes revenue from sales of yarns.

5. OPERATING SEGMENTS

Information reported to the chief executive officer, being the chief operating decision maker, for the purposes of resource allocation and assessment of performance focuses on revenue analysis by products. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

Geographical information

The Group mainly operates in Hong Kong and the People's Republic of China (the "PRC"), and the Group's non-current assets are mainly located in the PRC.

Information about the Group's revenue is presented based on the geographical location of the customers.

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**315,176**	356,318
The PRC	**153,390**	104,200
Bangladesh	**101,117**	84,873
Vietnam	**49,357**	52,871
Macau	**7,628**	9,970
Taiwan	**7,441**	17,789
Other countries and regions	**6,615**	22,198
Total	**640,724**	648,219

Information about major customers

The following illustrates the revenue from customers which contributing over 10% of the total revenue of the Group:

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Customer A	**85,678**	124,724
Customer B	**84,368**	100,086

6. OTHER INCOME

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Interest income from bank deposits	**1,374**	1,031
Imputed interest income on amounts due from related companies *(note i)*	**–**	20,383
Services fee from a joint venture *(note ii)*	**5,400**	5,400
Storage income	**420**	420
	7,194	27,234

Notes:

(i) The amounts represented the imputed interest income from amounts due from related companies, which was calculated at an effective interest rate of 8% per annum. The amounts due from related companies were settled in full during the year ended 31 December 2017.

(ii) Service fee represents income from provision of management service including the use of premises, office equipment, utilities, facilities and consumables at a monthly sum of HK$450,000.

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Directors' remuneration:		
— Emoluments, salaries and other benefits	**15,836**	13,443
— Retirement benefit scheme contributions	**36**	36
	15,872	13,479
Other staff salaries and allowances	**45,897**	34,973
Retirement benefit scheme contributions, excluding those of directors	**2,792**	2,119
Total employee benefits expenses	**64,561**	50,571
Capitalised in inventories	**(21,106)**	(16,120)
	43,455	34,451
Depreciation of property, plant and equipment	**13,324**	10,692
Amortisation of other intangible assets	**647**	–
Release of prepaid lease payments	**647**	350
	14,618	11,042
Capitalised in inventories	**(9,471)**	(5,565)
	5,147	5,477
Auditor's remuneration	**1,761**	301
Cost of inventories recognised as an expense	**440,111**	435,402

8. INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Current tax:		
— Hong Kong profits tax	**15,601**	21,139
— PRC enterprise income tax	**3,419**	3,881
Under provision in prior years		
— PRC enterprise income tax	**275**	43
Deferred tax	**(166)**	154
Total	**19,129**	25,217

Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The PRC

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2017: 25%) during the year.

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the years ended 31 December 2018 and 2017 is based on the following data:

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Earning for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**72,801**	126,478

	Year ended 31 December	
	2018	2017
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**554,082**	480,000

The weighted average number of ordinary shares for the purpose of basic earnings per share has been retrospectively adjusted for the Reorganisation Issue and Capitalisation Issue (as defined in note 13). Please refer to note 13 for details.

10. DIVIDEND

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of HK2 cents (2017: Nil) per ordinary share, in an aggregate amount of HK$12,800,000 (2017: Nil), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

11. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2018	2017
	HK$'000	*HK$'000*
Trade and bills receivables	**48,634**	46,113
Less: allowance for credit loss	**(805)**	(222)
	47,829	45,891
Prepayments	**5,353**	3,818
Deferred listing expenses	**–**	976
Value-added tax recoverable	**33,458**	24,023
Utility and rental deposits	**1,576**	1,676
Others	**1,086**	1,348
	89,302	77,732

As at 31 December 2018 and 1 January 2018, trade and bills receivables from contracts with customers carried a gross amount of HK$48,634,000 and HK$46,113,000, respectively.

The Group generally allows credit periods ranging from 30 days to 120 days regarding different customers. The following is an aged analysis of trade and bills receivables, presented based on the invoice date at the end of each reporting period:

	At 31 December	
	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**33,346**	27,790
31 to 60 days	**7,459**	9,275
61 to 120 days	**5,542**	5,558
121 to 180 days	**1,733**	3,036
181 to 365 days	**164**	232
More than 365 days	**390**	222
	48,634	46,113

12. TRADE AND OTHER PAYABLES

	At 31 December	
	2018	2017
	HK$'000	*HK$'000*
Trade and bills payables	**96,988**	167,424
Deposits received	**7,800**	8,346
Consideration payable for acquisition of subsidiaries	**–**	6,840
Advances from customers	**–**	208
Payroll payables	**5,279**	6,186
Others	**4,009**	5,620
	114,076	194,624

The aged analysis of the trade and bills payables presented based on the goods receipt date at the end of each reporting period is as follows:

	At 31 December	
	2018	2017
	HK$'000	HK$'000
Within 30 days	**38,124**	78,133
31 to 60 days	**28,966**	46,349
61 to 180 days	**29,898**	42,942
	96,988	167,424

13. SHARE CAPITAL OF THE COMPANY

For the purposes of presentation of the consolidated statement of financial position, the paid-in capital of the Group as at 31 December 2017 of HK$1,605,000 represents the aggregate share capital of the Company, Hingtex Group Limited ("Hingtex Group"), Kingshine Investment Group Limited, H.W. Textiles Co., Limited and Kingstead Industrial Limited ("Kingstead Industrial") prior to the completion of the Reorganisation.

	Number of Shares	**Share capital**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised and issued:		
As at 31 December 2017	100,000	1
Reorganisation Issue *(as defined in note i)*	400,000	4
Capitalisation Issue *(as defined in note ii)*	479,500,000	4,795
Issuance of new shares upon listing *(note iii)*	160,000,000	1,600
As at 31 December 2018	640,000,000	6,400

Notes:

(i) During the year ended 31 December 2018, for the purpose of the Reorganisation, the Company issued 400,000 new ordinary shares in total to Manford Investment, the immediate and ultimate holding company of the Company, to acquire the entire equity interests in Hingtex Group, Kingshine Group, HWT and Kingstead Industrial (the "Reorganisation Issue"). Such shares rank pari passu in all respects with the then existing shares of the Company. The difference between the aggregate paid-in capital of HK$1,605,000 as at 31 December 2017 and the paid-in capital of the Company of HK$5,000 immediately upon the completion of the Reorganisation Issue was accounted for in the other reserves of the Company.

(ii) Pursuant to the resolution of the Company's sole shareholder, Manford Investment, the Company allotted and issued a total of 479,500,000 new ordinary shares on 13 July 2018 by way of capitalisation of a sum of HK$4,795,000 reserve of the Company ("Capitalisation Issue"). Such shares rank pari passu in all respects with the then existing shares of the Company. Upon the completion of the Capitalisation Issue, the number of ordinary shares of the Company increased to 480,000,000.

(iii) In July 2018, upon listing on the Stock Exchange, the Company issued a total of 160,000,000 new ordinary shares. Such shares rank pari passu in all respects with the then existing shares of the Company. The offer price was HK$1.12 per share and total proceeds (before payments of listing expenses) from issuance of new shares upon listing were HK$179,200,000. Upon the completion of the issuance, the number of ordinary shares of the Company increased to 640,000,000.

CHAIRMAN'S STATEMENT

On behalf of the Board, I hereby present the operating results for the year ended 31 December 2018 (the "year").

Over the past year, the pace of global economic growth has slowed as trade momentum subsequently weakened due to trade tariffs imposed by major economies, in particular between the PRC and the United States (the "U.S."), which had strongly impacted our customers who are mostly brand owners in the U.S. (the "Brand Owners"). Although Hingtex continued to enjoy strong demand from the denim fabric market during the year, our customers had postponed shipments of fulfilled orders from the year 2018 to the first half of 2019 as they were finding suitable replacement garment factories outside of the PRC to avoid possible additional trade tariffs. As a result, the Group's business performance was impacted indirectly due to the Sino-U.S. trade war.

Nonetheless, the Group has performed stably during the year with revenue amounting to HK$640.7 million (2017: HK$648.2 million) and gross profit totalling HK$200.6 million (2017: HK$212.8 million). Profit after taxation was HK$72.8 million (2017: HK$126.5 million). After taking into account the one-off listing expenses, the Group was able to achieve adjusted net profit of HK$90.1 million (excluding listing expenses of approximately HK$17.3 million) (2017: HK$109.5 million excluding listing expenses of approximately HK$5.3 million, gain on disposals of property, plant and equipment of HK$1.9 million and imputed interest income on amounts due from related companies of HK$20.4 million). The decrease in profit after taxation is mainly due to the postponement of product shipments by our customers in response to the then increasing tension between the PRC and the U.S. during the second half of 2018, as well as the unanticipated unfavourable price fluctuation of cotton yarns, other raw materials and labour costs in the same period.

During the year, average selling price of stretchable blended denim fabrics increased by 7.2% to HK$25.3 per yard (2017: HK$23.6 per yard). Hence, despite a 8.9% decrease in overall sales quantity to 24.9 million yards (2017: 27.3 million yards), the Group managed to achieve similar annual revenue as in year 2017.

Dividends

The Board has proposed the payment of a final dividend of HK2 cents per ordinary share for the year ended 31 December 2018.

Business Review

During the year, the Group has continued to specialise in the manufacturing of stretchable denim fabrics with various properties. Sales of stretchable blended denim fabrics accounted for approximately 85.2% of total revenue (2017: 80.1%). This aligns with the rising growth trend and demand for denim garments with stretchable fabric properties, in particular the rising popularity of stretchable denim clothing with various functionalities for men.

Although demand for denim fabric in the U.S. was strong in 2018, the Group suffered indirectly from the Sino-U.S. trade war which resulted in a 1.71% decrease in sales quantity of stretchable blended denim fabrics. However, the Group managed to increase the selling price in light of enhancing product features and rising costs, which led to an increase of HK$26.8 million in revenue, thus raising total sales of stretchable blended denim fabrics to HK$546.1 million for year 2018 (2017: HK$519.3 million).

The Group reckons that there continues to be room for growth in the U.S. market. In late 2018, we received new orders from a returning Brand Owner, which is a renowned worldwide clothing and accessories retailer based in the U.S.

Prospects

Though the Sino-U.S. trade war has led to instability in the global economy, we remain cautiously optimistic about the denim industry as well as the associated retail segment. The Sino-U.S. trade war has become less intense since the first quarter of 2019, which is a good start for 2019. Since the beginning of 2019 to this date, we have dispatched over 2 million yards of denim fabric to our customers which were originally scheduled for delivery in 2018. In response to the fluctuations in manufacturing costs, the Group will continue to strive for more competitive price and balance the burden with our customers to maintain our profit margin. We will closely monitor market changes and manage risks so that we can take pre-emptive measures against anticipated challenges.

Develop Wider Range of Fabrics and Increase Production Capacity

As one of the largest middle- to high-end denim fabric manufacturers in the PRC, we strive to differentiate ourselves from our peers by developing and adopting new, innovative and sustainable materials. We consider incorporating more natural fibres in our products to promote sustainability. We will continue to innovate and dedicate more resources to bolster the Group's R&D capabilities in developing denim fabric so as to remain competitive and stay ahead of the denim manufacturing industry. The Group's plant enhancement plans are also on schedule, with the first batch of equipment ready to commence operation by end of 2019 and the refurbishment process to be completed by early 2021.

Bolster Ties with Brand Owners and Further Penetrate European and PRC Markets

We will look to bolster ties with Brand Owners by providing them supervisor products that help them to stay ahead of their peers. We will also work with them in seeking garment factories outside the PRC should the Sino-U.S. trade war turn for the worse, which also helps to mitigate potential impact on the Group.

On top of that, we continue to examine opportunities for making inroads in Europe and the PRC. Towards this goal, we have established cooperative arrangements with COTTON USA™ and Mr. CHEN Wen (陳聞), a prominent denim designer in the PRC to organise a denim fashion show in Beijing, China under the theme "COTTON USA: Passion for Dream in late March 2019.

Appreciation

I would like to take this opportunity to express my sincere gratitude to all of our business partners, customers and stakeholders for their unwavering support. The Board, management and staff must also be praised for their perseverance, diligence and decisiveness; enabling us to achieve a stable results during the past year.

TUNG Tsun Hong
Chairman and executive Director

Hong Kong, 28 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The shares of our Company (the "Shares") were listed on the Stock Exchange on the Listing Date, raising total net proceeds of approximately HK$147.0 million after deducting professional fees, underwriting commissions and other related listing expenses.

Since the Listing Date and as of 31 December 2018, the net proceeds have been placed with banks in Hong Kong. The Group intends to apply the proceeds in the same manner and proportions set out in the section headed "Future Plans and Use of Proceeds" in the prospectus dated 28 June 2018 (the "Prospectus").

FINANCIAL REVIEW

As at 31 December 2018, bank balances and cash increased by HK$31.1 million to HK$185.1 million (2017: HK$154.0 million), primarily due to the net proceeds from issue of new ordinary shares upon listing of HK$147.0 million, as offset by the declaration of a special dividend amounting to HK$100.0 million and the net decrease in working capital of HK$28.9 million. Inventories increased by HK$51.6 million to HK$264.1 million (2017: HK$212.5 million) as a result of a general increase in the cost of raw materials as well as the postponement of product shipments by our customers due to the intensified Sino-U.S. trade war situation during the second half of 2018. Trade and bills receivables remained stable at HK$47.8 million (2017: HK$45.9 million). Current liabilities decreased by HK$73.4 million to HK$231.8 million (2017: HK$305.2 million) mainly due to less purchases made close to 2018 year end when compared with 2017 and tax payments of HK$41.5 million.

CAPITAL COMMITMENT

As at 31 December 2018, the Group had no capital commitment.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations primarily with internally generated funds from operating activities and banking facilities currently available. It is anticipated that the Group has sufficient working capital to meet its present funding requirements.

As at 31 December 2018, net current assets were approximately HK$311.4 million (2017: HK$148.4 million). Bank balances and cash and restricted bank deposits as at 31 December 2018 were approximately HK$189.2 million (2017: HK$173.4 million).

As at 31 December 2018, there were bank borrowings of approximately HK$108.0 million (2017: HK$80.6 million), and the Group has HK$188.3 million in available banking facilities as at 31 December 2018 (2017: HK$131.8 million).

GEARING RATIO

As at 31 December 2018, the gearing ratio of the Group, based on total borrowings (including bank borrowings and obligations under finance leases) to total equity (including all capital and reserves) of the Group, was 26.5% (2017: 28.6%).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 458 employees (2017: 467 employees). The Group recognises the importance of maintaining good relationship with its employees and retaining competent staff to ensure operational efficiency and effectiveness. Remuneration packages offered to the Group's employees are consistent with prevailing levels and are reviewed on a regular basis. Discretionary bonuses may be provided to selected employees taking into consideration the Group's performance and that of the individual employee. The Group provides training to employees. In the year ended 31 December 2018, the Group had not encountered any significant problems with its employees, nor had there been any dispute between the Group and its employees that might have caused any disruption to the Group's business or operation. The Group has had no difficulty in recruiting and retaining experienced staff.

CAPITAL EXPENDITURE

The Group's capital expenditure was HK$14.1 million during the year (2017: HK$43.1 million), which was mainly due to the capital investments in the Group's property, plant and equipment.

TREASURY POLICIES AND FOREIGN CURRENCY EXPOSURE

The Group is exposed to foreign currency risk primarily through sales, purchases, bank balances and cash and bank borrowings that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily Renminbi. As at 31 December 2018, the Group's bank borrowings carried variable rates from 1.6% to 3.7% per annum (2017: 1.3% to 2.4%). The Group has not experienced any material difficulty or liquidity problems resulting from foreign exchange fluctuations.

The Group is not engaged in the use of any financial instruments for hedging purposes. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group issued financial guarantees to a bank in respect of banking facilities granted to a related party of an amount of HK$21.7 million, of which HK$20.5 million had been utilised by the related party. In the opinion of the directors of the Company, the fair value of the financial guarantee provided by the Group is not significant as the financial position of the related party is sound. The financial guarantees have been released during the year.

As at 31 December 2018, the Group had no material contingent liability.

PLEDGE OF ASSETS

As at 31 December 2018, the Group's obligations under finance leases were secured by its property, plant and equipment with carrying value of approximately HK$7.3 million (2017: property, plant and equipment, structured bank deposits and restricted bank deposits of approximately HK$32.0 million).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the Listing Date up to the date of this announcement.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted the Model Code as rules governing dealings by the Directors in the listed securities of the Company since the Listing Date. Based on specific enquiry with the Directors, all Directors have compiled with the required standards as set out in the Model Code since the Listing Date and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company has adopted the Code on Corporate Governance (the "CG Code") as set out in Appendix 14 of the Listing Rules since the Listing Date. The Company confirms it has met the required standards as set out in the CG Code since the Listing Date and up to the date of this announcement.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messers. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messers. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messers. Deloitte Touche Tohmatsu on the preliminary announcement.

AUDIT COMMITTEE

Our Company has established an audit committee (the "Audit Committee") in accordance with the requirements of the CG Code for the purpose of reviewing and supervising the Group's financial reporting process. The Audit Committee currently has three Independent Non-executive Directors, Mr. Tsang Ling Biu Gilbert, Mr. Cheung Che Kit Richard and Mr. Leung Wan Ching Clarence, J.P.. Mr. Tsang Ling Biu Gilbert is the chairman of the Audit Committee. Disclosure of financial information in this announcement complies with Appendix 16 to the Listing Rules. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2018 in conjunction with the external auditor.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at 10:00 a.m. on Tuesday, 28 May 2019 (the "2018 Annual General Meeting"). For determining the entitlement to attend and vote at the 2018 Annual General Meeting, the register of members of the Company will be closed from Thursday, 23 May 2019 to Tuesday, 28 May 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2018 Annual General Meeting, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 22 May 2019.

FINAL DIVIDEND

The Board recommends payment of a final dividend of HK2 cents per share for the year ended 31 December 2018 (the "Proposed Final Dividend"). For determining the entitlement to the Proposed Final Dividend, the register of members of the Company will also be closed from Monday, 3 June 2019 to Tuesday, 4 June 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 31 May 2019. Subject to the approval of the Company's shareholders at the 2018 Annual General Meeting, the Proposed Final Dividend will be paid to the Company's shareholders on Thursday, 13 June 2019.

PUBLICATION OF ANNUAL REPORT

The annual report of our Company for the year ended 31 December 2018 containing all the relevant information required by the Listing Rules and other applicable laws and regulations will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and our Company in due course.

By order of the Board
HINGTEX HOLDINGS LIMITED
TUNG Tsun Hong
Chairman and executive Director

Hong Kong, 28 March 2019

As at the date of this announcement, the chairman and executive Director is Mr. Tung Tsun Hong, the executive Directors are Mr. Tung Wai Ting Stephen and Mr. Tung Cheuk Ming Stanley, and the independent non-executive Directors are Mr. Tsang Ling Biu Gilbert, Mr. Cheung Che Kit Richard and Mr. Leung Wang Ching Clarence, J.P..