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HINGTEX HOLDINGS LIMITED

興紡控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1968)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

- Total revenue for the six months ended 30 June 2021 increased by approximately 54.8% period-to-period to HK\$174.9 million, as compared with total revenue of HK\$113.0 million for the six months ended 30 June 2020.
- Net loss attributable to owners of the Company for the six months ended 30 June 2021 was approximately HK\$2.3 million, as compared with net loss of approximately HK\$26.3 million for the six months ended 30 June 2020.
- Basic loss per share for the six months ended 30 June 2021 was 0.36 HK cents, as compared with basic loss per share of 4.11 HK cents for the six months ended 30 June 2020.

The board (the “Board”) of directors (the “Directors”) of Hingtex Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020 (“1H2020”). These condensed consolidated interim financial statements have not been audited, but have been reviewed by Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants and, by the audit committee of the Company (the “Audit Committee”).

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

	<i>NOTES</i>	Six months ended	
		30/06/2021 <i>HK\$'000</i> (unaudited)	30/06/2020 <i>HK\$'000</i> (unaudited)
Revenue	3	174,930	112,992
Cost of sales		(139,529)	(104,007)
Gross profit		35,401	8,985
Other income	4	3,312	4,724
Other gains and losses		506	(720)
Impairment losses under expected credit loss model, net of reversal		61	(54)
Selling and distribution expenses		(8,596)	(8,637)
Administrative expenses		(29,934)	(28,575)
Share of results of a joint venture		63	–
Finance costs		(749)	(1,377)
Profit (loss) before tax	5	64	(25,654)
Income tax expense	6	(2,397)	(626)
Loss and total comprehensive expense for the period attributable to owners of the Company		(2,333)	(26,280)
LOSS PER SHARE			
— Basic (HK cents)	8	(0.36)	(4.11)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>NOTES</i>	30/06/2021 <i>HK\$'000</i> (unaudited)	31/12/2020 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	9	109,740	109,376
Right-of-use assets	9	27,173	28,196
Other intangible assets		3,887	4,134
Goodwill		1,184	1,184
Interest in a joint venture		4,373	4,310
Deferred tax assets		2,204	1,958
		<hr/>	<hr/>
Total non-current assets		148,561	149,158
Current assets			
Inventories		161,681	145,210
Trade and other receivables	10	82,491	58,092
Tax recoverable		802	5,329
Bank balances and cash		165,048	160,883
		<hr/>	<hr/>
Total current assets		410,022	369,514
Current liabilities			
Trade and other payables	11	97,295	54,301
Amount due to a joint venture	14	230	137
Tax liabilities		8,939	7,159
Bank borrowings	12	64,010	66,550
Lease liabilities		6,435	4,462
Contract liabilities		104	562
		<hr/>	<hr/>
Total current liabilities		177,013	133,171
Net current assets		233,009	236,343
		<hr/>	<hr/>
Total assets less current liabilities		381,570	385,501
		<hr/> <hr/>	<hr/> <hr/>

	<i>NOTES</i>	30/06/2021 HK\$'000 (unaudited)	31/12/2020 <i>HK\$'000</i> (audited)
Non-current liabilities			
Deferred tax liabilities		6,817	6,929
Lease liabilities		1,745	3,231
		<hr/>	<hr/>
Total non-current liabilities		8,562	10,160
		<hr/>	<hr/>
Net assets		373,008	375,341
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital	<i>13</i>	6,400	6,400
Reserves		366,608	368,941
		<hr/>	<hr/>
Total equity attributable to owners of the Company		373,008	375,341
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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”).

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 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.

1A. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”), being the chief executive officer, in order to allocate resources to segments and to assess their performance.

During the six months ended 30 June 2021, the CODM assesses the operating performance and allocates the resources of the Group as a whole as the Group is primarily engaged in manufacturing of the denim fabrics. Therefore, the management considers that the Group only has one operating segment. The Group mainly operates in Hong Kong and the PRC, and the Group’s non-current assets are mainly located in the PRC.

Disaggregation of revenue

The following is an analysis of the Group’s revenue from its major products recognised at a point in time:

	Six months ended	
	30/06/2021	30/06/2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Stretchable blended denim fabrics	153,319	100,855
Stretchable cotton denim fabrics	15,552	5,955
Non-stretchable denim fabrics	6,002	5,714
Others (<i>note</i>)	57	468
	<hr/>	<hr/>
Total	174,930	112,992
	<hr/> <hr/>	<hr/> <hr/>

Note: Others mainly include revenue from sales of yarns.

4. OTHER INCOME

	Six months ended	
	30/06/2021	30/06/2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income from bank deposits	183	1,049
Services fee income (<i>note i</i>)	2,700	2,902
Storage income	180	180
Government grants (<i>note ii</i>)	249	593
	<hr/>	<hr/>
	3,312	4,724
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) Services fee income mainly includes income from provision of management services to a joint venture including the use of premises, office equipment, utilities, facilities and consumables at a monthly sum of HK\$450,000 (six months ended 30 June 2020: HK\$450,000).
- (ii) During the period ended 30 June 2020, government grants of HK\$414,000 in respect of COVID-19-related conditional subsidies in respect of Employment Support Scheme were provided by the Hong Kong government. There is no such grant in the current interim period. Other government grants represent unconditional incentives from the PRC government during the current and prior interim periods.

5. PROFIT (LOSS) BEFORE TAX

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

	Six months ended	
	30/06/2021 HK\$'000 (unaudited)	30/06/2020 HK\$'000 (unaudited)
Total employee benefits expenses	28,273	24,416
Capitalised in cost of inventories manufactured	<u>(8,971)</u>	<u>(6,729)</u>
	<u>19,302</u>	<u>17,687</u>
Depreciation for property, plant and equipment	5,198	5,634
Depreciation of right-of-use assets	4,061	4,210
Amortisation of other intangible assets	<u>247</u>	<u>256</u>
	9,506	10,100
Capitalised in cost of inventories manufactured	<u>(4,407)</u>	<u>(3,959)</u>
	<u>5,099</u>	<u>6,141</u>
Cost of inventories recognised as expense	<u>139,529</u>	<u>104,007</u>
Net foreign exchange (gain) loss	<u>(248)</u>	<u>774</u>

6. INCOME TAX EXPENSE

	Six months ended	
	30/06/2021 HK\$'000 (unaudited)	30/06/2020 HK\$'000 (unaudited)
Current tax:		
— Hong Kong Profits Tax	914	—
— PRC Enterprise Income Tax	1,679	154
Underprovision in prior years		
— Hong Kong Profits Tax	162	413
— PRC Enterprise Income Tax	—	151
Deferred tax	<u>(358)</u>	<u>(92)</u>
Total	<u>2,397</u>	<u>626</u>

7. DIVIDENDS

During the current interim period, no final dividend in respect of the year ended 31 December 2020 (2020: HK0.8 cent per share in respect of the year ended 31 December 2019) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to nil (2020: HK\$5,120,000).

The directors of the Company have determined that no dividend will be paid in respect of the current interim period.

8. LOSS PER SHARE

The calculation of basic loss per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30/06/2021	30/06/2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the purpose of basic loss per share	<u>(2,333)</u>	<u>(26,280)</u>
	Six months ended	
	30/06/2021	30/06/2020
	'000	'000
	(unaudited)	(unaudited)
Number of ordinary shares for the purpose of basic loss per share	<u>640,000</u>	<u>640,000</u>

No diluted loss per share for the six months ended 30 June 2021 (six months ended 30 June 2020: no diluted earnings per share) was presented as the Company did not have any dilutive potential ordinary shares in issue for the current interim period.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group acquired manufacturing equipment of approximately HK\$4,027,000 (six months ended 30 June 2020: HK\$1,465,000) in order to upgrade its manufacturing capabilities.

During the current interim period, the Group entered into several lease agreements with lease term of 18 months. On lease commencement, the Group recognised right-of-use assets of HK\$4,574,000 (six months ended 30 June 2020: HK\$793,000) and lease liabilities of HK\$4,555,000 (six months ended 30 June 2020: HK\$788,000).

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2021 <i>HK\$'000</i> (unaudited)	At 31 December 2020 <i>HK\$'000</i> (audited)
Trade and bills receivables	51,944	29,108
Less: allowance for credit loss	(556)	(617)
	<u>51,388</u>	<u>28,491</u>
Prepayments	3,635	3,687
Value-added tax recoverable	25,311	23,598
Utility and rental deposits	1,365	1,473
Others	792	843
	<u>82,491</u>	<u>58,092</u>

As at 30 June 2021, 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 the reporting period:

	At 30 June 2021 <i>HK\$'000</i> (unaudited)	At 31 December 2020 <i>HK\$'000</i> (audited)
Within 30 days	33,603	20,618
31 to 60 days	12,840	5,438
61 to 120 days	5,027	2,701
121 to 180 days	17	–
181 to 365 days	231	52
More than 365 days	226	299
	<u>51,944</u>	<u>29,108</u>

11. TRADE AND OTHER PAYABLES

	At 30 June 2021 <i>HK\$'000</i> (unaudited)	At 31 December 2020 <i>HK\$'000</i> (audited)
Trade and bills payables	71,351	41,798
Deposits received	19,124	3,980
Payroll payables	4,600	5,615
Others	2,220	2,908
	<u>97,295</u>	<u>54,301</u>

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 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Within 30 days	33,046	19,665
31 to 60 days	16,096	14,415
61 to 180 days	22,209	7,718
	<u>71,351</u>	<u>41,798</u>

The credit period on purchases of goods is ranging from 30 days to 180 days.

12. BANK BORROWINGS

During the current interim period, the Group obtained new bank borrowings with amounts of approximately HK\$58,939,000 (six months ended 30 June 2020: HK\$44,071,000). The proceeds were used to meet the working capital requirement. Repayment of bank borrowings amounting to approximately HK\$61,479,000 (six months ended 30 June 2020: HK\$37,157,000) were made in line with the relevant repayment terms.

As at 30 June 2021, the Group's borrowings carried variable rates of 1.34% to 2.28% (31 December 2020: 1.35% to 4.19%) per annum.

13. SHARE CAPITAL

	Number of Shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
At 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	<u>640,000,000</u>	<u>6,400</u>

14. RELATED PARTY TRANSACTIONS

(a) Related party transactions

The Group entered into the following transactions with its related parties during the six months ended 30 June 2021 and 2020:

Related Party	Nature of transaction	Six months ended	
		30/06/2021 HK\$'000 (unaudited)	30/06/2020 HK\$'000 (unaudited)
Kurabo Denim International Limited (<i>note i</i>)	Services fees income	2,700	2,700
	Management service fee expense	2,160	2,160
	Royalty fee expense	1,318	1,012
Star Alliance Holdings Limited (<i>notes ii and iii</i>)	Interest expense on lease liabilities	65	54
		2,700	2,700

Notes:

- (i) Kurabo Denim International Limited is a joint venture of the Group.
- (ii) The Controlling Shareholders have control or beneficial interests in this entity.
- (iii) During the current interim period, the Group entered into several new lease agreements with Star Alliance Holdings Limited for the use of office in Hong Kong for 1.5 years (2020: 1 to 2 years). HK\$65,000 (six months ended 30 June 2020: HK\$54,000) of interest expense on lease liabilities has been made. The Group recognised additions to right-of-use assets and lease liabilities of HK\$4,574,000 (31 December 2020: HK\$1,648,000) and HK\$4,555,000 (31 December 2020: HK\$1,648,000) respectively. As at 30 June 2021, the corresponding carrying amounts of the right-of-use assets and lease liabilities were HK\$4,022,000 (31 December 2020: HK\$1,305,000) and HK\$4,030,000 (31 December 2020: HK\$1,302,000) respectively.

(b) Compensation of directors and key management personnel

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Salaries and other allowances	6,756	6,872
Retirement benefit scheme contributions	36	36
Other benefits (<i>note</i>)	792	828
	7,584	7,736

Note: Other benefits represent rentals for directors' quarters. During the six months ended 30 June 2021, depreciation of right-of-use assets in relation to these non-monetary benefits amounted to HK\$774,000 (six months ended 30 June 2020: HK\$807,000).

The remuneration of directors and key management personnel are determined having regard to the performance of the individuals and contribution to the Group.

(c) **Related party balances**

The Group had the following outstanding balances with its related party at the end of the reporting period:

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Amount due to:		
Joint Venture		
Kurabo Denim International Limited	<u>230</u>	<u>137</u>

15. PLEDGED ASSETS

The Group's borrowings are secured by assets of the Group and the carrying amounts of which at the end of the reporting period are stated below:

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Right-of-use assets	<u>1,665</u>	<u>3,764</u>

The pledged amounts of right-of-use assets represent the carrying amount of motor vehicles.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2021, the global economy continued to be confronted by challenges resulting from the 2019 Novel Coronavirus (“COVID-19”) pandemic as well as unstable relations between the United States (the “U.S.”) and the People’s Republic of China (the “PRC”). Nonetheless, since late 2020, the overall business environment has gradually improved and this continued during the first half of 2021. This modest improvement has also been experienced by the global denim market, and reflected by the Group’s latest performance. As at 30 June 2021, total revenue of HK\$174.9 million (1H2020: HK\$113.0 million) has been recorded, representing an increase of 54.8%. Moreover, profit has increased while sales have continued to achieve breakeven. In view of the changing buying patterns and greater demand from the U.S. market as a result of gradual economic recovery from the impact of the COVID-19 pandemic, the Group has increased production, resulting in a higher utilisation rate. Gross profit has surged by HK\$26.4 million to HK\$35.4 million (1H2020: HK\$9.0 million), with gross profit margin rising to 20.2% (1H2020: 8.0%). Loss attributable to owners of the Company decreased by 91.1% to HK\$2.3 million (1H2020: HK\$26.3 million). Loss per share were 0.36HK cents (1H2020: 4.11 HK cents).

The Group remains in a healthy financial position. In addition to stable operating cash flows, it also has sufficient cash on hand of approximately HK\$165.0 million as at 30 June 2021 (31 December 2020: HK\$160.9 million).

BUSINESS REVIEW

During the current interim period, the U.S. market remained as the Group’s principal focus. Despite the protracted Sino-U.S. trade war, the Group has made every effort to minimise costs while at the same time seize maximum number of orders. In the wake of the new normal resulting from COVID-19, the progressive reopening of stores in the U.S., and the gradual revival of the retail market driven by pent consumer demand, business partners of the Group have begun placing greater orders. Moreover, the aforementioned developments, combined with the change in order practices by certain partners, consequently led not only to a rise in orders but also an increase in the quantity of products ordered. Even though the cost of raw materials has increased during the period, the Group has been able to maintain reasonable margins by employing relevant cost controls and by leveraging its clear understanding of the market, as well as longstanding relations with customers.

As in the recent past years, stretchable blended denim fabrics have continued to be the principal category of fabrics sold by the Group, which accounted for 87.6% (1H2020: 89.4%) of fabrics that it sold during the first half of 2021. The Group has nevertheless continued to focus on and invest in research and development (“R&D”) as this has served as the foundation and catalyst for the Group’s advancement. It is from such efforts that have allowed it to introduce new stretchable blended denim fabrics that use environmental-friendly raw materials, including bamboo, recycled cotton and recycled polyester. These new materials have subsequently helped the Group to offset the rise in cost of other traditional raw materials. The Group will continue to leverage its R&D expertise to bring even more breakthroughs to the market.

During the period, the Group has also continued to upgrade its factories so as to reduce overall production cost and promote environmentally friendly manufacturing processes. This included the adoption of a wastewater treatment and recycling system at its two factories in Zhongshan, the PRC. Consequently, the Group has been able to provide a healthier work environment for staff while at the same time contribute to the natural ecosystem. Also with the environment in mind, the Group has installed energy saving equipment at its facilities and implemented relevant measures that have resulted in the dual benefits of enhancing energy efficiency and actively reducing costs, which in turn promotes greater profitability.

Even though the COVID-19 pandemic has resulted in travel restrictions across the globe, this has not curbed the Group's commitment to maintaining communications with its business partners. What is more, along with such communications, it has continued to provide samples of newly produced denim fabrics in a timely manner so that business partners are kept abreast of the Group's development and capabilities. From such contact, the Group can thus promptly gather feedback and produce fabrics that cater for customers' demands while concurrently negotiate for the most reasonable prices. Just as significantly, such fruitful ties allow the Group to build trust which will be invaluable as it pursues sustainable long-term development.

Capital commitment

As at 30 June 2021, the Group had no capital commitment (31 December 2020: Nil).

Liquidity, financial resources and capital structure

The Group 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 30 June 2021, net current assets were approximately HK\$233.0 million (31 December 2020: HK\$236.3 million). Bank balances and cash as at 30 June 2021 were approximately HK\$165.0 million (31 December 2020: HK\$160.9 million).

As at 30 June 2021, there were bank borrowings of approximately HK\$64.0 million (31 December 2020: HK\$66.6 million), and the Group had HK\$86.9 million in available banking facilities as at 30 June 2021 (31 December 2020: HK\$112.3 million).

Gearing ratio

As at 30 June 2021, the gearing ratio of the Group, based on total borrowings (including bank borrowings and lease liabilities) to total equity (including all capital and reserves) of the Group, was 19.4% (31 December 2020: 19.8%).

Employees and remuneration policies

As at 30 June 2021, the Group had 385 employees (31 December 2020: 394 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. During the six months ended 30 June 2021, 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.

A share option scheme was adopted on 19 June 2018 by the Company. As at 30 June 2021 and up to the date of this announcement, no share options were granted.

Capital expenditure

The Group's capital expenditure was approximately HK\$4.0 million during the current interim period (1H2020: HK\$1.5 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 30 June 2021, the Group's bank borrowings carried variable rates from 1.34% to 2.28% per annum (31 December 2020: 1.35% to 4.19%). 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 30 June 2021, the Group had no material contingent liability (31 December 2020: Nil).

Pledge of assets

As at 30 June 2021, the Group's lease liabilities were secured by, among others, its property, plant and equipment with carrying value of approximately HK\$1.7 million (31 December 2020: HK\$3.8 million).

PROSPECTS

The first half of 2021 continued to present stiff headwinds to the retail sector, which invariably affected the denim industry as well. This was largely due to poor trade relations between the U.S. and the PRC and uncertainties arising from the COVID-19 pandemic. Even though the surroundings are still unpredictable, the management is cautiously optimistic about its prospects in the second half year and for 2022 as a whole.

As a pioneer and vanguard of the denim industry, and with the Group's stable and solid relationship with its raw material suppliers, it will continue to provide a stable supply of materials for the denim market and advance technologies and methodologies for the betterment of the Group and its customers. On the R&D front, the Group will continue to direct energy and resources towards bolstering this capability so as to facilitate business development. Furthermore, it will leverage its R&D strategy to introduce more bamboo denim into its portfolio of stretchable denim fabrics, and thereby fully leverage its various benefits including functionality, comfort and stylishness. At the same time, the Group will further introduce environmentally friendly materials in line with its commitment to promoting environmental sustainability. With its solid reputation, portfolio of quality denim products, strong supplier network and experienced management, the Group trusts that it can enhance its competitiveness and business stature and sustain development, leading ultimately to the delivery of fair returns to shareholders over the long term.

Hingtex has always strived to enhance its penetration into various markets. Over the past years, the Group has also started business in the PRC through participating in trade shows and co-operating with renowned designers. Moving forward, the Group will continue to strengthen its brand image as well as market share in various locations, and gradually explore business opportunities in its key markets, so as to establish a more diversified market network in the long term.

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.

The following sets forth a summary of the utilisation of the net proceeds:

Purpose	Net proceeds from the share offer (Note) HK\$ million	Revised allocation of the proceeds HK\$' million	Actual use of proceeds up to 30 June 2021 HK\$ million	Remaining proceeds as at 30 June 2021 HK\$ million	Expected timeline of full utilisation of the remaining proceeds
To purchase production machinery and equipment including (i) weaving, slasher dyeing and shrinking lines for increasing our production capacity and efficiency; and (ii) ozone bleaching and washing machineries for enhancing our product development capability	140.1	103.3	57.2	46.1	By the end of 2022
To attend overseas and the PRC fabric exhibitions for enhancing our market penetration and expanding our customer base	3.2	–	–	–	–
For general working capital and other general corporate purposes	3.7	43.7	3.7	40.0	By the end of 2022
	<u>147.0</u>	<u>147.0</u>	<u>60.9</u>	<u>86.1</u>	

Note: The application of the net proceeds from the share offer is based on the proposed percentage of utilisation as specified in the section headed “Future Plan and Use of Proceeds” in the prospectus of the Company dated 28 June 2018.

All unutilised net proceeds have been placed with banks in Hong Kong. The Group intends to apply the remaining proceeds as shown above.

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 from the Listing Date up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the model code for securities transactions by Directors of listed issuers (the "Model Code") as the code of conduct regarding securities transactions by Directors. Following specific enquiry by the Company, all the Directors have confirmed that they have complied with the required standard as set out in the Model Code and its code of conduct regarding directors' securities transactions for the six months ended 30 June 2021 and up to the date of this announcement.

CORPORATE GOVERNANCE CODE

The Company has applied and complied with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code") for the six months ended 30 June 2021 and up to the date of this announcement.

AUDIT COMMITTEE

Our Company has established 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. The latest meeting of the Audit Committee was held to review the results of the Group for the six months ended 30 June 2021.

INTERESTS OF DIRECTORS AND THE CHIEF EXECUTIVE

As at the date of this announcement, the interests and short positions of each Director and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which were required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to our Company and the Stock Exchange pursuant to the Model Code, are as follows:

(a) Interests and/or short positions in our Company

Director	Nature of interest	Number of Shares held ¹	Percentage of Interest in our Company
Mr. Tung Tsun Hong (“Mr. TH Tung”)	Interest in controlled corporation ⁽²⁾	480,000,000 (L)	75%
Mr. Tung Wai Ting Stephen (“Mr. Stephen Tung”)	Interest in controlled corporation ⁽²⁾	480,000,000 (L)	75%
Mr. Tung Cheuk Ming Stanley (“Mr. Stanley Tung”)	Interest in controlled corporation ⁽²⁾	480,000,000 (L)	75%

Notes:

1. The letter “L” denotes a long position in the Shares.
2. Mr. TH Tung, Mr. Stephen Tung, Mr. Stanley Tung, Ms. Lau Chung Chau (“Mrs. Tung”), Ms. Tung Wei Ling Barbara (“Ms. Barbara Tung”) and Ms. Tung Wai Lai Mabel (“Ms. Mabel Tung”) entered into the Deed of Concert Parties, pursuant to which, the parties confirmed that they have been acting in concert with each other in exercising and implementing the management and operations of our subsidiaries and that it is their intention to continue to act in the above manner upon the listing of our Shares on the Main Board of the Stock Exchange (the “Listing”). Accordingly, Manford Investment Holdings Limited (“Manford Investment”) is deemed to be accustomed and/or obliged to act in accordance with their directions and/or instructions and that, among others, each of Mr. TH Tung, Mr. Stanley Tung and Mr. Stephen Tung is deemed to be interested in all the Shares held by Manford Investment under the SFO.

(b) Interests and/or short positions in associated corporation(s)

Director	Company concerned	Nature of interests	Number of Shares held in the company concerned¹	Percentage of interest in the company concerned
Mr. TH Tung	Manford Investment ²	Beneficial owner; a concert party to an agreement to buy shares described in s. 317(1)(a) of the SFO ³	100 (L)	100%
Mr. Stephen Tung	Manford Investment ²	Beneficial owner; a concert party to an agreement to buy shares described in s. 317(1)(a) of the SFO ³	100 (L)	100%
Mr. Stanley Tung	Manford Investment ²	Beneficial owner; a concert party to an agreement to buy shares described in s. 317(1)(a) of the SFO ³	100 (L)	100%

Note:

1. The letter “L” denotes long position in the shares held.
2. At the date of this announcement, Manford Investment is interested in 75% of the issued Shares and, accordingly, is the holding company of our Company within the meaning of the SFO.
3. Manford Investment is owned as to 30% by Mr. TH Tung, 20% each by Mr. Stephen Tung and Mr. Stanley Tung and 10% each by Mrs. Tung, Ms. Barbara Tung and Ms. Mabel Tung, all of whom have entered into the Deed of Concert Parties, pursuant to which, the parties confirmed that they have been acting in concert with each other in exercising and implementing the management and operations of our subsidiaries and that it is their intention to continue to act in the above manner upon the Listing. Accordingly, each of Mr. TH Tung, Mr. Stephen Tung and Mr. Stanley Tung is deemed to be interested in the shares of Manford Investment held by the other parties to the Deed of Concert Parties under the SFO.

Save as disclosed above, as at the date of this announcement, none of our Directors nor the chief executive of our Company had any interests or short positions in the Shares, underlying Shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to our Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the date of this announcement, so far as our Directors are aware, the following persons had an interest or short position in the Shares or the underlying Shares which were required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity/nature of interest	Number of Shares⁽¹⁾	Percentage shareholding
Manford Investment ⁽²⁾	Beneficial owner	480,000,000 (L)	75%
Mr. TH Tung	Interest of controlled corporation ⁽³⁾	480,000,000 (L)	75%
Mr. Stephen Tung	Interest of controlled corporation ⁽³⁾	480,000,000 (L)	75%
Mr. Stanley Tung	Interest of controlled corporation ⁽³⁾	480,000,000 (L)	75%
Ms. Li Ka Mei	Interest of spouse ⁽⁴⁾	480,000,000 (L)	75%
Mrs. Tung	Interest of controlled corporation ⁽³⁾	480,000,000 (L)	75%
Ms. Barbara Tung	Interest of controlled corporation ⁽³⁾	480,000,000 (L)	75%
Mr. Li Chi Hiu Lawrence	Interest of spouse ⁽⁵⁾	480,000,000 (L)	75%
Ms. Mabel Tung	Interest of controlled corporation ⁽³⁾	480,000,000 (L)	75%
Mr. Fung Cheong Chi	Interest of spouse ⁽⁶⁾	480,000,000 (L)	75%

Notes:

1. The letter “L” denotes a long position in the Shares.
2. As at the date of this announcement, Manford Investment was owned as to 30% by Mr. TH Tung, 20% by Mr. Stephen Tung, 20% by Mr. Stanley Tung, 10% by Mrs. Tung, 10% by Ms. Barbara Tung and 10% by Ms. Mabel Tung.
3. Mr. TH Tung, Mr. Stanley Tung, Mr. Stephen Tung, Mrs. Tung, Ms. Barbara Tung and Ms. Mabel Tung entered into the Deed of Concert Parties, pursuant to which, among others, the parties confirmed that they have been acting in concert with each other in exercising and implementing the management and operations of our subsidiaries and that it is their intention to continue to act in the above manner upon the Listing. Accordingly, Manford Investment is deemed to be accustomed and/or obliged to act in accordance with their directions and/or instructions and that each of Mr. TH Tung, Mr. Stephen Tung, Mr. Stanley Tung, Mrs. Tung, Ms. Barbara Tung and Ms. Mabel Tung is deemed to be interested in all the Shares held by Manford Investment under the SFO.
4. Ms. Li Ka Mei is the spouse of Mr. Stanley Tung and is deemed, under the SFO, to be interested in all the Shares that Mr. Stanley Tung is interested.
5. Mr. Li Chi Hiu Lawrence is the spouse of Ms. Barbara Tung and is deemed, under the SFO, to be interested in all the Shares that Ms. Barbara Tung is interested.
6. Mr. Fung Cheong Chi is the spouse of Ms. Mabel Tung and is deemed, under the SFO, to be interested in all the Shares that Ms. Mabel Tung is interested.

Save as disclosed above, as at the date of the announcement, our Directors are not aware of any person who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at the date of this announcement, our Directors are not aware of any person who had an interest or short position in the Shares or the underlying Shares which were required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

IMPORTANT EVENTS AFTER THE INTERIM PERIOD UNDER REVIEW

There were no material events undertaken by the Group subsequent to 30 June 2021 and up to the date of this announcement.

PUBLICATION OF INTERIM REPORT

The interim report of our Company for the six months ended 30 June 2021 containing all the relevant information required by Appendix 16 to the Listing Rules and other applicable laws and regulations will be dispatched to our shareholders 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, 30 August 2021

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..