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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

Total revenue for the year ended 31 December 2022 decreased by approximately 32.5% year-to-year to HK\$245.2 million, as compared with total revenue of HK\$363.0 million for the year ended 31 December 2021.

Net loss attributable to owners of the Company for the year ended 31 December 2022 was approximately HK\$50.0 million, as compared with net loss of HK\$11.9 million for the year ended 31 December 2021.

Basic loss per Share for the year ended 31 December 2022 was HK7.81 cents as compared with basic loss per Share of HK1.86 cents for the year ended 31 December 2021.

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 2022, together with the comparative figures for the year ended 31 December 2021.

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

For the year ended 31 December 2022

	NOTES	Year ended 31 December	
		2022 HK\$'000	2021 HK\$'000
Revenue	4	245,176	362,999
Cost of sales		<u>(226,288)</u>	<u>(297,639)</u>
Gross profit		18,888	65,360
Other income	6	3,355	7,789
Other gains and losses	7	(876)	2,352
Reversal of impairment loss (impairment loss) under expected credit loss model, net		526	(95)
Selling and distribution expenses		(15,436)	(19,924)
Administrative expenses		(50,107)	(55,683)
Research and development expenses		(9,257)	(10,591)
Fair value gain on financial asset at fair value through profit or loss (“FVTPL”)		1,094	–
Share of results of an associate		(1,848)	–
Share of result of a joint venture		(25)	167
Finance costs		<u>(1,383)</u>	<u>(1,384)</u>
Loss before tax	8	(55,069)	(12,009)
Income tax credit	9	<u>5,107</u>	<u>102</u>
Loss and total comprehensive expense for the year attributable to owners of the Company		<u>(49,962)</u>	<u>(11,907)</u>
LOSS PER SHARE			
— Basic (HK cents)	10	<u>(7.81)</u>	<u>(1.86)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	At 31 December	
<i>NOTES</i>	2022	2021
	HK\$'000	HK\$'000
Non-current assets		
Property, plant and equipment	101,097	109,751
Right-of-use assets	25,484	22,018
Other intangible assets	3,337	3,704
Goodwill	1,184	1,184
Interest in an associate	434	–
Interest in a joint venture	–	4,477
Financial asset at FVTPL	21,094	–
Deferred tax assets	9,893	6,543
Other receivables	1,025	209
	<hr/>	<hr/>
Total non-current assets	163,548	147,886
Current assets		
Inventories	97,300	160,641
Trade and other receivables	48,260	74,816
Amount due from an associate	616	–
Tax recoverable	–	802
Cash and cash equivalents	84,693	119,867
	<hr/>	<hr/>
Total current assets	230,869	356,126
Current liabilities		
Trade and other payables	24,713	69,318
Amount due to a joint venture	–	86
Tax liabilities	4,314	6,522
Lease liabilities	5,595	4,421
Bank borrowings	31,361	47,978
Contract liabilities	2,434	1,854
	<hr/>	<hr/>
Total current liabilities	68,417	130,179
	<hr/>	<hr/>
Net current assets	162,452	225,947
	<hr/>	<hr/>
Total assets less current liabilities	326,000	373,833
	<hr/>	<hr/>

		At 31 December	
		2022	2021
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		3,431	540
Deferred tax liabilities		7,932	8,155
Other payables		1,165	1,704
		<hr/>	<hr/>
Total non-current liabilities		12,528	10,399
		<hr/>	<hr/>
Net assets		313,472	363,434
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital	<i>14</i>	6,400	6,400
Reserves		307,072	357,034
		<hr/>	<hr/>
Equity attributable to owners of the Company and total equity		313,472	363,434
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Hingtex 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, 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 dollar (“HK\$”), as the directors of the Company consider HK\$ can provide more meaningful information to the Company’s investors.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), for the first time, which are mandatorily effective for the Group’s annual periods beginning on 1 January 2022 for the preparation of the Group’s consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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.

The consolidated financial statements have been prepared on the historical cost basis, except for financial asset at FVTPL that is measured at fair value, at the end of each reporting period as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. REVENUE

Disaggregation of revenue from contracts with customers

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Types of goods or service recognised at a point in time		
Sales of denim fabrics		
Stretchable blended denim fabrics	210,890	311,091
Stretchable cotton denim fabrics	19,552	35,919
Non-stretchable denim fabrics	11,882	14,116
Others (<i>note</i>)	2,852	1,873
	<hr/>	<hr/>
Total	<u>245,176</u>	<u>362,999</u>

Note: Others mainly include revenue from sales of yarns.

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 bear the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 120 days upon delivery.

A contract liability is recognised for advance payments received by the Group until the goods have been delivered to the customers.

5. OPERATING SEGMENTS

Information reported to the chief executive officer, being the chief operating decision maker, for the purposes of resource allocation and assessment 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	
	2022	2021
	HK\$'000	HK\$'000
Bangladesh	58,670	70,667
Hong Kong	51,345	72,265
The PRC	47,936	93,105
Vietnam	45,606	72,370
India	11,467	5,393
Taiwan	10,403	26,895
Indonesia	10,017	6,872
Jordan	3,039	8,114
Pakistan	2,861	899
Other countries and regions	3,832	1,594
Macao	–	4,825
Total	245,176	362,999

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	
	2022	2021
	HK\$'000	HK\$'000
Customer A	33,478	56,501
Customer B	N/A ^(note)	58,034

Note:

The corresponding revenue did not contribute over 10% of the total revenue of the Group for the corresponding reporting period.

6. OTHER INCOME

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Interest income from bank deposits	618	315
Storage income	163	360
Government grants (<i>note i</i>)	1,724	392
Sample charge income	850	1,322
Services fee income (<i>note ii</i>)	–	5,400
	<u>3,355</u>	<u>7,789</u>

Note:

- (i) During the year ended 31 December 2022, the Group recognises government grants of HK\$928,000 (2021: HK\$Nil) in respect of COVID-19 related conditional subsidies under the Employment Support Scheme provided by the Hong Kong government in which, the Group has fulfilled the requirements of the subsidies. Other government grants represent unconditional incentives from the PRC government during the current and prior years.
- (ii) During the year ended 31 December 2021, service fee income mainly included income from provision of management service to a joint venture including the use of consumables, utilities and the services rendered by the Group's employees at a monthly sum of HK\$450,000.

7. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Net foreign exchange (loss) gain	(2,250)	2,215
Gain (loss) on disposal of property, plant and equipment	1,293	(18)
Others	81	155
	<u>(876)</u>	<u>2,352</u>

8. LOSS BEFORE TAX

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

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Directors' remuneration:		
— Emoluments, salaries and other allowance	11,845	13,850
— Retirement benefit scheme contributions	36	36
	<u>11,881</u>	<u>13,886</u>
Other staff salaries and allowances	36,049	49,738
Retirement benefit scheme contributions, excluding those of directors	1,671	1,445
	<u>49,601</u>	<u>65,069</u>
Total employee benefits expenses	49,601	65,069
Capitalised as cost of inventories manufactured	(12,790)	(18,177)
	<u>36,811</u>	<u>46,892</u>
Depreciation of property, plant and equipment	11,109	10,899
Depreciation of right-of-use assets	6,953	7,552
Amortisation of other intangible assets	367	430
	<u>18,429</u>	<u>18,881</u>
Capitalised as cost of inventories manufactured	(10,200)	(10,302)
	<u>8,229</u>	<u>8,579</u>
Auditor's remuneration	2,372	2,375
Cost of inventories recognised as an expense including write-down of inventories of HK\$721,000 (2021: Nil)	226,288	297,639
	<u>226,288</u>	<u>297,639</u>

9. INCOME TAX CREDIT

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Current tax:		
— PRC enterprise income tax	294	3,095
(Over) under provision in prior years		
— Hong Kong profits tax	(173)	162
— PRC enterprise income tax	(1,655)	—
	<u>(1,534)</u>	<u>3,257</u>
Deferred tax	<u>(3,573)</u>	<u>(3,359)</u>
Total	<u>(5,107)</u>	<u>(102)</u>

Hong Kong

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

For the year ended 31 December 2022, no provision for Hong Kong profits tax has been made as the assessable profits is offset with the group entity's tax losses carried forward. There were no assessable profits in Hong Kong for the year ended 31 December 2021.

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% for both years. As one of the PRC subsidiaries of the Group was qualified as "High-tech Enterprise" in 2020 in relation to their production activities, this PRC subsidiary, upon satisfaction of the criteria required, was subject to a preferential PRC Enterprise Income Tax rate of 15% for three years with effective date on 9 December 2020.

10. LOSS PER SHARE

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

	Year ended 31 December	
	2022 HK\$'000	2021 HK\$'000
Loss for the year for the purpose of basic loss per share	<u>(49,962)</u>	<u>(11,907)</u>
	Year ended 31 December	
	2022 '000	2021 '000
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 both 2022 and 2021 were presented as there were no potential ordinary shares in issue for both 2022 and 2021.

11. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

12. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2022 HK\$'000	2021 HK\$'000
Trade receivables (<i>note i</i>)	18,509	42,215
Less: Allowance for credit loss	<u>(186)</u>	<u>(712)</u>
	18,323	41,503
Prepayments and other receivables (<i>note ii</i>)	8,950	4,910
Value-added tax recoverable	19,959	25,374
Utility and rental deposits	1,572	1,328
Others	<u>481</u>	<u>1,910</u>
	<u>49,285</u>	<u>75,025</u>
Analysed as		
Current	48,260	74,816
Non-current	<u>1,025</u>	<u>209</u>

Notes:

- (i) The amounts of trade receivables include bills receivable of HK\$9,737,000 (2021: HK\$27,769,000).
- (ii) Included in the Group's other receivables as at 31 December 2022, an amount due from an investee of HK\$6,400,000 (2021: Nil) is unsecured, interest-free and repayable on demand.

As at 1 January 2021, trade receivables from contract with customers amounted to HK\$12,688,000.

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

	At 31 December	
	2022	2021
	HK\$'000	HK\$'000
Within 30 days	9,188	20,916
31 to 60 days	5,277	16,754
61 to 120 days	3,833	4,183
121 to 180 days	154	12
181 to 365 days	24	20
More than 365 days	33	330
	18,509	42,215

13. TRADE AND OTHER PAYABLES

	At 31 December	
	2022	2021
	HK\$'000	HK\$'000
Trade payables	13,530	55,612
Deposits received	5,883	5,872
Payroll payables	3,704	5,637
Accrued charges	2,335	2,813
Others	426	1,088
	25,878	71,022
Analysed as		
Current	24,713	69,318
Non-current	1,165	1,704

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

	At 31 December	
	2022	2021
	HK\$'000	HK\$'000
Within 30 days	10,583	14,139
31 to 60 days	2,947	17,980
61 to 180 days	–	23,493
	13,530	55,612

14. SHARE CAPITAL OF THE COMPANY

	Number of Shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 January 2021, 31 December 2021 and 31 December 2022	1,000,000,000	10,000
Issued and fully paid:		
As at 1 January 2021, 31 December 2021 and 31 December 2022	<u>640,000,000</u>	<u>6,400</u>

CHAIRLADY'S STATEMENT

In 2022, the global economic growth was hindered by various issues such as ongoing logistics disruptions, interest rate hikes by central banks around the world, hyperinflation and the lingering 2019 Novel Coronavirus (“COVID-19”) pandemic. For Hingtex Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”), COVID-19 remained the most disruptive influence on its operations during the year ended 31 December 2022 (the “Year”). In particular, the lockdown implemented in Shanghai, the People’s Republic of China (the “PRC”) in the second quarter of the Year significantly hampered the Group’s production capability. As the Group strives to reduce its inventory level to achieve better working capital balance, this practice exposed it to an unforeseeable shortage of yarn resulting from the Shanghai lockdown. Consequently, production lead times had to be extended, which in turn resulted in the reduction in orders from brand owners. This has been reflected by a decline in revenue to HK\$245.2 million (2021: HK\$363.0 million) and gross profit of HK\$18.9 million (2021: HK\$65.4 million). Moreover, due to a rocketing cotton index in the first half of 2022 and the volatility in raw material costs throughout the Year, gross profit margin receded to 7.7% (2021: 18.0%). Despite the aforementioned developments, customers are gradually resuming their business with the Group with the recovery of the global economy.

BUSINESS REVIEW

As noted, the Group’s performance was significantly impacted by the lockdown in Shanghai during the second quarter of the Year. Having reduced its inventory level, particularly of long-aged yarn, due to an upsurge in the cotton index since 2021, the Group thus encountered difficulty in procuring cotton yarns for production following the lockdown. This consequently translated into much longer production lead times for meeting customers’ commitments. With the Group forced to revise its dispatch plans, customers chose to place less orders in the second half of the Year, which directly affected sales revenue and the quantity of shipments during the Year. Compounding the situation was a volatile cotton index in 2022 and the hardball negotiation tactics adopted by brand owner customers when placing new orders.

In the preceding years, the principal products of the Group continued to be stretchable blended denim fabrics. Such fabrics are able to integrate sustainable materials, including certified recycled materials, man-made and/or synthetic fibres, along with various functionalities. As at 31 December 2022, stretchable blended denim fabrics accounted for 86.0% of revenue (2021: 85.7%). Though certified recycled materials are usually more expensive than traditional materials, they nonetheless align with the green expectations of brand owner customers, end users and global market trend. During the Year, the Group shipped approximately 5.1 million yards and 3.5 million yards in the first and second half year, respectively. Due to the yarn constraint as aforementioned, the Group dispatched less shipments and quantity of yarns in the second half year. Moreover, some of the shipments that had originally been planned for delivery in the third quarter were subsequently postponed by the U.S. brand owner customers to better suit their production schedule. The Group continued to focus chiefly on the U.S. consumer market and the European business sectors as both markets share similar characteristics. While the Group will explore the PRC market in 2023, it has yet to trade with brand owner customers in the country.

During the Year, the Group sales staff closely followed developments of brand owner customers and their garment factories with the view of maximising shipments of new and existing denim fabrics, in order to generate higher revenue. At the same time, the Group continued to apply its knowledge and expertise in denim fabric manufacturing processes to utilise existing yarn stocks for new product development. This aligns with the growing trend among brand owners requesting the Group to integrate a higher percentage of sustainable materials in its fabrics.

For the Year, the Group achieved a debt-to-equity ratio of 12.88%, declining from 14.57% in 2021. This was mainly due to the settlement of certain revolving bank borrowings by the Group in view of the rising interest rate environment. Together with its investments made during the Year, the cash and cash equivalents level declined from HK\$119.9 million in 2021 to HK\$84.7 million in 2022. The Group has regularly reviewed its loan and trade financing activities with major banks, and, given the generally higher interest rates in 2022, has kept its borrowings at a minimum to minimise financing cost. Consequently, financing cost amounted to approximately HK\$1.4 million for both 2021 and 2022.

PROSPECTS

The Sino-US trade war has had a noticeable impact on the Group, going beyond additional tariffs that remain in place. And while the lifting of COVID-19 restrictions by the PRC Government in early 2023, and the recovery of orders from brand owner customers are positive developments, the Group remains cautious about its performance in the foreseeable future. Still, it believes that sales will steadily return to normal as the 2023 year progresses. This aligns with research by various parties that anticipate the global denim jeans market to reach US\$87.4 billion by 2027.

To capture opportunities in the future and proactively expand its portfolio with premium products that allows it to both gain a greater share of the high-value market as well as benefit from higher profit margins, the Group has been expediting the installation and operation of two large pieces of equipment for finishing and dyeing, imported from Germany and Italy respectively. They are among the few machines with advanced technologies that can assist the Group in fulfilling more orders for sophisticated denim fabrics from customers. The Group has liaised with vendors and local authorities to accelerate the arrival of overseas technicians to the PRC for completing the final stages of installation work. With regard to the dyeing machine, it has arranged technicians to perform final inspection and calibration work, and if everything is in order, the Group hopes the machine can commence mass production by the end of 2023. Once both machines are in operation, the Group will be able to capitalise on more denim fabric manufacturing possibilities as well as enjoy greater production efficiency.

The management believes that with the business environment returning to normal, it is now ideal for the Group to introduce new products to the market to increase its competitiveness. Hence, besides production, the Group has also continued to conduct research and development (“R&D”) activity on denim fabrics — principally relating to stretchable blended denim fabrics, creating new samples to lure potential brand owner customers to the fold. The combination of new equipment and R&D expertise will also enable the Group to stand out from its local market peers and have an equal footing with its European and U.S. counterparts, thus capable of attracting more discerning customers in the long run.

While the Group’s primary business activity will continue to be denim fabric manufacturing, it has made an investment in a property project in Tsuen Wan, Hong Kong, as announced in January 2022. The property will provide passive income via dividend and capital gain, once renovation work is completed and the property is fully occupied in 2023. The management will continue to regularly review business opportunities that emerge, and seize on those that can benefit the overall performance of the Group.

Although the COVID-19 pandemic has brought immense challenges to the Group over the past few years, the management believes that the worst is now behind and that it will benefit from a gradually recovering global economy. Consistent with its cautiously optimistic outlook for Hingtex's overall business in 2023, production will be raised in anticipation of greater orders from customers. The Group will also further expand its business exposure by leveraging its technological advantages and leading market position. With an R&D focused strategy and strong cooperative ties with partners and alliances, the Group will capture the tremendous market opportunities that emerge, drive sustainable long-term business growth and bring satisfactory returns to shareholders.

LAU Chung Chau

Chairlady and Non-executive Director

Hong Kong, 28 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

As at 31 December 2022, cash and cash equivalents decreased by HK\$35.2 million to HK\$84.7 million (2021: HK\$119.9 million), primarily due to the investment made for the acquisition of equity securities of a company engaged in property investment amounting HK\$20.0 million, as well as the net repayment of certain bank borrowing principals totalling HK\$16.6 million during the year. Inventories decreased by HK\$63.3 million to HK\$97.3 million (2021: HK\$160.6 million) mainly as a result of the delivery of finished goods related to certain long-aged sales orders as well as less yarn purchases made during the year due to the volatile cotton price throughout the year. Trade and bills receivables decreased by HK\$23.2 million to HK\$18.3 million (2021: HK\$41.5 million), mainly due to less denim fabrics sold and delivered in the fourth quarter of 2022 against the comparable period in 2021. Current liabilities decreased by HK\$61.8 million to HK\$68.4 million (2021: HK\$130.2 million), mainly due to the significantly less yarn purchases made during the year, resulting in the decrease in trade and other payables by HK\$42.1 million, as well as the aforementioned net bank borrowing repayments of HK\$16.6 million.

CAPITAL COMMITMENT

As at 31 December 2022, 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 2022, net current assets were approximately HK\$162.5 million (2021: HK\$225.9 million). Cash and cash equivalents as at 31 December 2022 were approximately HK\$84.7 million (2021: HK\$119.9 million).

As at 31 December 2022, there were bank borrowings of approximately HK\$31.4 million (2021: HK\$48.0 million), and the Group has HK\$163.4 million in available banking facilities as at 31 December 2022 (2021: HK\$151.7 million).

GEARING RATIO

As at 31 December 2022, 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 12.9% (2021: 14.6%).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had 353 employees (2021: 385 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 2022, 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 31 December 2022 and up to the date of this announcement, no share options were granted.

INVESTMENTS AND CAPITAL EXPENDITURE

The Group's capital expenditure was HK\$25.4 million during the Year (2021: HK\$8.1 million), which was mainly for (i) the acquisition of 8% shareholding interest in a company engaged in property investment; and (ii) 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, Cash and cash equivalents 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. The Group has not experienced any material difficulty or liquidity problems resulting from foreign exchange fluctuations.

As at 31 December 2022, the Group's bank borrowings carried variable rates from 5.4% to 5.9% per annum (2021: 1.3% to 2.3%).

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 2022, the Group had no material contingent liability.

PLEDGE OF ASSETS

As at 31 December 2022, the Group had no pledged assets (2021: nil).

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 since the Listing Date and 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 complied 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 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board on 28 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. 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. Wong Ming Bun David. 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 2022 in conjunction with the external auditor.

EVENTS AFTER THE REPORTING PERIOD

There were no material events undertaken by the Group subsequent to 31 December 2022 and up to the date of this announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at 10:00 a.m. on Monday, 29 May 2023 (the “2022 Annual General Meeting”). For determining the entitlement to attend and vote at the 2022 Annual General Meeting, the register of members of the Company will be closed from Tuesday, 23 May 2023 to Monday, 29 May 2023, 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 2022 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 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 22 May 2023.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2022.

PUBLICATION OF ANNUAL REPORT

The annual report of our Company for the year ended 31 December 2022 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
LAU Chung Chau
Chairlady and non-executive Director

Hong Kong, 28 March 2023

As at the date of this announcement, the executive Directors are Mr. Tung Wai Ting Stephen and Mr. Tung Cheuk Ming Stanley, the chairlady and non-executive Director is Ms. Lau Chung Chau, and the independent non-executive Directors are Mr. Tsang Ling Bui Gilbert, Mr. Cheung Che Kit Richard and Mr. Wong Ming Bun David.