

INTERIM REPORT
2024

HINGTEX HOLDINGS LIMITED

興紡控股有限公司

(incorporated in the Cayman Islands with limited liability) Stock Code : 1968

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Financial Highlights

	For the six months ended	
	30 June 2024 HK\$'000 (unaudited)	30 June 2023 HK\$'000 (unaudited)
Revenue	110,135	92,551
Gross profit	16,233	12,357
Gross profit margin	14.7%	13.4%
Loss before tax	(17,097)	(22,880)
Loss and total comprehensive loss for the period attributable to owners of the Company	(17,144)	(19,459)
LOSS PER SHARE		
— Basic and diluted (HK cents)	(2.68)	(3.04)

Management Discussion and Analysis

With the lifting of all travel restrictions relating to the 2019 Novel Coronavirus (“COVID-19”) during the latest financial period, the management has increased travels to the United States (the “U.S.”), the principal market of the Group, to meet with brand owners as well as to seize new business opportunities. The fruits of such efforts have included the securing of new orders from one of the world’s largest clothing, footwear and accessories companies and enquiries from a leading global specialty retailer, which also constitute encouraging signs of a potential post-COVID-19 market recovery.

During the six months ended 30 June 2024, the Group’s total revenue amounted to approximately HK\$110.1 million (1H2023: HK\$92.6 million), representing a year-on-year increase of approximately 19.0%. Gross profit stood at approximately HK\$16.2 million (1H2023: HK\$12.4 million) and gross profit margin was approximately 14.7% (1H2023: 13.4%). Loss attributable to owners of the Company has further narrowed to approximately HK\$17.1 million (1H2023: loss of HK\$19.5 million) with loss per share of approximately 2.68 HK cents (1H2023: loss per share of 3.04 HK cents).

The Group has been able to generate stable operating cash flows and remains in a healthy financial position. As at 30 June 2024, the Group had cash on hand of approximately HK\$57.9 million.

BUSINESS REVIEW

During the review period, the management redoubled efforts in fortifying the Group’s position so as to expedite its exit from the market trough and capitalise on business opportunities. Beside engaging in in-person meetings with key personnel of various brand owner customers in the U.S., the Group participated in denim exhibitions in the People’s Republic of China (the “PRC”), the U.S. and other locations to increase exposure and connect with potential new customers. In addition, the Group reached an agreement with its Vietnamese subcontractor in April 2024 to work collectively on a new production line. This agreement will go towards earning the trust of clients who are either contemplating or observing a *China plus one* business model, hence will increase the possibility of securing more orders in the future.

With respect to efforts within the Group, the management has sought to continue expanding its portfolio of stretchable blended denim fabrics as they remain the Group’s principal products, accounting for 93.0% (1H2023: 85.7%) of total sales. Towards achieving this goal, technicians from the new dyeing production line have been creating samples with unique colourways that cater for European and U.S. styles, thus raising the likelihood that the denim products of brand owner customers will be even more popular among consumers. Moreover, with the two large pieces of machinery for finishing and dyeing, imported from Germany and Italy respectively, now in operation, the assets have already facilitated the launch of new products — surpassing the Group’s initial schedule. It is worth noting, within the Chinese Mainland, that the aforementioned dyeing machine is only available through the Group, hence it affords the Company unique production and product development advantages that the management can leverage to full effect.

Despite the challenging market environment, we are pleased to announce the successful undertaking of our first property renovation project in Shanghai, China in June 2024. This project builds upon our successful experience in Hong Kong in property renovation and demonstrates our commitment to long-term growth and diversification. We believe this expansion positions us to capitalise on emerging trends in property repurposing. The project generated a trivial revenue in its initial phase and is expected to continuously contribute to the Group in the future. We will continue to identify and pursue new business opportunities while allocating resources effectively to ensure continued success.

Management Discussion and Analysis

PROSPECTS

According to one report by an international market research firm, the global denim jeans market is projected to grow at a CAGR of approximately 7.5% from 2024 to 2030, driven by a combination of factors, “including the rising popularity of denim as a fashion trend, innovations in denim manufacturing such as stretch materials and sustainable production practices, and effective marketing strategies that create strong brand loyalty”.¹ While this projection is encouraging, the management also recognises that there are many factors, foreseeable and unforeseeable, which can hinder such growth. One major development on the horizon is the U.S. presidential election in November, the outcome of which will have a considerable bearing on Sino-U.S. trade. Already, customers are taking a more cautious approach to procurement, placing orders with the Group on a monthly basis instead of a quarterly basis as in the past.

To protect the Group against market volatility, the management will continue to nurture and strengthen ties with existing brand owner customers while at the same time seek to establish ties with new brands. As aforementioned, this will involve conducting face-to-face meetings and participating in exhibitions as well as by leveraging its research and development might and flexible production capabilities.

While the production of denim fabrics constitutes the foundation of the Group, the management also understands the importance of diversification for mitigating risk and capitalising on fresh opportunities. Its property investment in Tsuen Wan, Hong Kong, back in January 2022, exemplifies this understanding. Serving as a source of passive income, the property has achieved a high tenancy rate, with a majority of the shops now leased. This successful experience also crafts a path for a new property upgrade sector, of which the initial phase commenced in June 2024. The management will further examine opportunities for expanding its business portfolio, with the ultimate goal of broadening revenue streams and bolstering the overall profitability of the Group.

In entering the second half year, the management will continue to closely scrutinise the Group’s strengths and weakness; building on the former while addressing the latter. It will seek to increase the business momentum gained over the past six months through ongoing innovation, prudent management, proactive bond building with key customers and enhancing operational efficiency. Through concerted effort, the management maintains the opinion that an uptrend can be sustained and that long-term value can be realised for all stakeholders of the Group.

¹ <https://www.marknteladvisors.com/research-library/denim-jeans-market.html>

Other Disclosures

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 2024, net current assets were approximately HK\$122.8 million (31 December 2023: HK\$132.0 million). Cash and cash equivalents as at 30 June 2024 were approximately HK\$57.9 million (31 December 2023: HK\$60.7 million).

As at 30 June 2024, there were bank borrowings of approximately HK\$28.7 million (31 December 2023: HK\$29.0 million), and the Group had HK\$54.1 million in available banking facilities as at 30 June 2024 (31 December 2023: HK\$72.3 million).

GEARING RATIO

As at 30 June 2024, 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 11.39% (31 December 2023: 11.76%).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had 347 employees (31 December 2023: 317 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 2024, 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 (the "Share Option Scheme") was adopted on 19 June 2018 by the Company. As at 30 June 2024 and up to the date of this report, no share options were granted. The maximum number of Shares which may be issued upon exercise of options which may be granted under the Share Option Scheme and any other share option schemes (if any) shall not in aggregate exceed 10% of the total number of Shares in issue at the time dealings in the Shares first commence on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (i.e. 64,000,000 shares). At the beginning and at the end of the six months ended 30 June 2024, 64,000,000 share options were available for grant under the Share Option Scheme.

Other Disclosures

CAPITAL EXPENDITURE

The Group's capital expenditure was approximately HK\$0.4 million during the current interim period (1H2023: HK\$1.2 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, 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. As at 30 June 2024, the Group's bank borrowings carried variable rates from 5.5% to 7.3% per annum (31 December 2023: 6.4% to 6.6%). 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 2024, the Group had no material contingent liability (31 December 2023: Nil).

PLEDGE OF ASSETS

As at 30 June 2024, the Group had no pledged assets (31 December 2023: Nil).

CAPITAL COMMITMENT

As at 30 June 2024, the Group had no capital commitment (31 December 2023: Nil).

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group did not have any significant investment or material acquisition or disposal of subsidiaries and affiliated companies during the current interim period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2024. In the event that the Group is engaged in any plan for material investments or capital assets, the Company will make announcement(s) and comply with relevant rules under the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules") as and when appropriate.

Other Disclosures

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 (including sale of treasury shares) from 16 July 2018 (the "Listing Date") up to the date of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the model code for securities transactions by Directors of listed issuers as set out in Appendix C3 of the Listing Rules (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 regarding directors' securities transactions for the six months ended 30 June 2024 and up to the date of this report.

CORPORATE GOVERNANCE CODE

The Company has applied and complied with all code provisions of the Corporate Governance Code contained in Appendix C1 to the Listing Rules (the "CG Code") for the six months ended 30 June 2024 and up to the date of this report.

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, namely 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. The latest meeting of the Audit Committee was held to review the results of the Group for the six months ended 30 June 2024.

REVIEW OF THE INTERIM RESULTS

The Audit Committee had reviewed the unaudited interim condensed consolidated results of the Group for the six months ended 30 June 2024 and discussed with the management of the Company the accounting principles and practices adopted by the Group as well as internal controls and other financial reporting matters.

Other Disclosures

INTERESTS OF DIRECTORS AND THE CHIEF EXECUTIVE

As at the date of this report, 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%
Ms. Lau Chung Chau (“Mrs. 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. Mrs. Tung, Mr. Stephen Tung, Mr. Stanley Tung, Ms. Tung Wei Ling Barbara (“Ms. Barbara Tung”), Ms. Tung Wai Lai Mabel (“Ms. Mabel Tung”) and the late Mr. TH 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 Mrs. Tung, Mr. Stephen Tung, Mr. Stanley Tung and the late Mr. TH Tung is deemed to be interested in all the Shares held by Manford Investment under the SFO.

Other Disclosures

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

Director	Company concerned	Nature of interests	Number of Shares held in the company concerned ¹	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%
Mrs. 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%

Notes:

1. The letter "L" denotes long position in the shares held.
2. At the date of this report, 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 the late 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 Mrs. Tung, Mr. Stephen Tung, Mr. Stanley Tung and the late Mr. TH 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 report, 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.

Other Disclosures

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the date of this report, 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%

Other Disclosures

Notes:

1. The letter "L" denotes a long position in the Shares.
2. As at the date of this report, 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. Mrs. Tung, Mr. Stephen Tung, Mr. Stanley Tung, Ms. Barbara Tung, Ms. Mabel Tung and the late Mr. TH 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 Mrs. Tung, Mr. Stephen Tung, Mr. Stanley Tung, Ms. Barbara Tung, Ms. Mabel Tung and the late Mr. TH 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 this report, 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 2024 and up to the date of this report.

Independent Review Report



TO THE BOARD OF DIRECTORS OF HINGTEX HOLDINGS LIMITED

興紡控股有限公司

(incorporated in the Cayman Islands as an exempted company with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 13 to 31, which comprises the condensed consolidated statement of financial position of Hingtex Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2024 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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 HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

27/F, One Taikoo Place

979 King’s Road

Quarry Bay, Hong Kong

30 August 2024

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

	NOTES	Six months ended	
		30 June 2024 HK\$'000 (unaudited)	30 June 2023 HK\$'000 (unaudited)
Revenue	3	110,135	92,551
Cost of sales		(93,902)	(80,194)
Gross profit		16,233	12,357
Other income	4	1,533	1,344
Other gains and losses, net (Impairment loss)/reversal of impairment loss on financial assets at amortised cost, net		(466) (50)	(1,300) 18
Selling and distribution expenses		(6,695)	(7,564)
Administrative expenses		(22,028)	(23,460)
Research and development expenses		(4,453)	(4,240)
Fair value (loss)/gain on financial asset at fair value through profit or loss ("FVTPL")		(104)	1,051
Share of results of an associate		(40)	(6)
Finance costs		(1,027)	(1,080)
Loss before tax	5	(17,097)	(22,880)
Income tax (expense)/credit	6	(47)	3,421
Loss and total comprehensive loss for the period attributable to owners of the Company		(17,144)	(19,459)
LOSS PER SHARE			
— Basic and diluted (HK cents)	8	(2.68)	(3.04)

Condensed Consolidated Statement of Financial Position

At 30 June 2024

	NOTES	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	88,490	93,569
Goodwill		1,184	1,184
Right-of-use assets		16,291	19,220
Other intangible assets		2,786	2,969
Interest in an associate	10	365	405
Financial asset at FVTPL	11	21,641	21,745
Deferred tax assets		13,480	13,480
Total non-current assets		144,237	152,572
Current assets			
Inventories		78,085	85,296
Trade and other receivables	12	60,372	43,959
Amount due from an associate	16	616	616
Cash and cash equivalents		57,900	60,740
Total current assets		196,973	190,611
Current liabilities			
Trade and other payables	13	40,858	23,643
Tax liabilities		1,705	1,618
Bank borrowings	14	28,659	29,000
Lease liabilities		792	3,431
Contract liabilities		2,113	891
Total current liabilities		74,127	58,583
Net current assets		122,846	132,028
Total assets less current liabilities		267,083	284,600

Condensed Consolidated Statement of Financial Position

At 30 June 2024

	NOTES	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Non-current liabilities			
Deferred tax liabilities		7,597	7,709
Other payables	13	958	1,219
Total non-current liabilities		8,555	8,928
Net assets		258,528	275,672
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	6,400	6,400
Reserves		252,128	269,272
Total equity		258,528	275,672

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Six months ended 30 June 2024 (unaudited)					
At 1 January 2024	6,400	141,986	10,882	116,404	275,672
Loss and total comprehensive loss for the period	–	–	–	(17,144)	(17,144)
At 30 June 2024	6,400	141,986	10,882	99,260	258,528
Six months ended 30 June 2023 (unaudited)					
At 1 January 2023	6,400	141,986	10,882	154,204	313,472
Loss and total comprehensive loss for the period	–	–	–	(19,459)	(19,459)
At 30 June 2023	6,400	141,986	10,882	134,745	294,013

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Note	Six months ended	
		30 June 2024 HK\$'000 (unaudited)	30 June 2023 HK\$'000 (unaudited)
OPERATING ACTIVITIES			
Loss before tax		(17,097)	(22,880)
Adjustments for:			
Finance costs		1,027	1,080
Interest income		(953)	(1,182)
Share of results of an associate		40	6
Depreciation of property, plant and equipment	5	4,888	4,969
Depreciation of right-of-use assets	5	2,929	3,228
Amortisation of other intangible assets	5	183	183
Impairment loss/(reversal of impairment loss) on financial assets at amortised cost, net		50	(18)
Gain on disposals of property, plant and equipment		–	(8)
Fair value loss/(gain) on financial assets at FVTPL		104	(1,051)
Net foreign exchange loss		91	255
Operating cash flows before movements in working capital		(8,738)	(15,418)
Decrease in inventories		7,211	14,670
Increase in trade and other receivables		(15,862)	(1,384)
Increase in trade and other payables		16,795	9,090
Increase/(decrease) in contract liabilities		1,222	(938)
Cash generated from operations		628	6,020
Income tax refunded/(paid)		87	(1,034)
NET CASH FLOWS FROM OPERATING ACTIVITIES		715	4,986
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(410)	(1,202)
Interest received		953	1,182
Proceeds from disposals of property, plant and equipment		–	8
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		543	(12)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Note	Six months ended	
		30 June 2024 HK\$'000 (unaudited)	30 June 2023 HK\$'000 (unaudited)
FINANCING ACTIVITIES			
New bank borrowings raised		37,659	31,000
Repayment of bank borrowings		(38,000)	(34,861)
Principal portion of lease payments		(2,693)	(3,070)
Interest paid		(974)	(906)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(4,008)	(7,837)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(2,750)	(2,863)
Cash and cash equivalents at beginning of the period		60,740	84,693
Effect of foreign exchange rate changes		(90)	(256)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by cash and bank balances		57,900	81,574

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

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 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 sale of denim fabric.

The functional currency of the Company is United States dollar (“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.

1A. BASIS OF PREPARATION

These interim condensed consolidated financial information for the six months ended 30 June 2024 has 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 D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2023.

The interim condensed consolidated financial statements have been prepared on the historical cost basis, except for the financial asset at FVTPL, which is measured at fair value.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments")
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION

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 and geographic information are presented.

Disaggregation of revenue from contracts with customers

The following is an analysis of the Group's revenue from contracts with customers:

	Six months ended	
	30 June 2024 HK\$'000 (unaudited)	30 June 2023 HK\$'000 (unaudited)
Sales of denim fabrics		
Stretchable blended denim fabrics	102,431	79,332
Stretchable cotton denim fabrics	905	7,925
Non-stretchable denim fabrics	5,105	3,821
Others (note)	1,694	1,473
Total revenue from contract with customers	110,135	92,551

Note: Others mainly include revenue from sales of yarns and other fabrics, provision of subcontracting services and property renovation services.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Group mainly operates in Hong Kong and the Chinese Mainland and the Group's non-current assets are mainly located in Hong Kong and the Chinese Mainland.

Information about the Group's revenue presented based on the geographical location of the customers is as follows:

	Six months ended	
	30 June 2024	30 June 2023
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Bangladesh	40,796	20,949
Hong Kong	25,565	24,373
Chinese Mainland	20,709	14,639
Egypt	13,113	–
Vietnam	8,383	11,773
Taiwan	732	3,926
India	–	2,676
Other countries and regions	837	14,215
Total	110,135	92,551

4. OTHER INCOME

	Six months ended	
	30 June 2024	30 June 2023
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Interest income from bank deposits	953	1,182
Government grants (note)	60	102
Sample sales	460	–
Others	60	60
Total	1,533	1,344

Note: Government grants in both periods represent unconditional grants from the PRC government.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

5. LOSS BEFORE TAX

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

	Six months ended	
	30 June 2024 HK\$'000 (unaudited)	30 June 2023 HK\$'000 (unaudited)
Total employee benefits expenses	24,832	19,764
Capitalised in cost of inventories manufactured	(7,819)	(6,191)
	17,013	13,573
Depreciation of property, plant and equipment	4,888	4,969
Depreciation of right-of-use assets	2,929	3,228
Amortisation of other intangible assets	183	183
	8,000	8,380
Capitalised in cost of inventories manufactured	(4,112)	(3,786)
	3,888	4,594
Cost of inventories recognised as expense	93,827	80,194
Net foreign exchange loss*	551	970

* Included in "other gains and losses, net" on the face of the condensed consolidated statement of profit or loss and other comprehensive income.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

6. INCOME TAX EXPENSE/(CREDIT)

The Group provides income tax expense/(credit) for each interim period based on the best estimate of the weighted average annual income rate expected for the full financial year. The major components of income tax expense/(credit) recognised in profit or loss are:

	Six months ended	
	30 June 2024 HK\$'000 (unaudited)	30 June 2023 HK\$'000 (unaudited)
Current tax:		
— PRC Enterprise Income Tax	158	153
Deferred tax	(111)	(3,574)
Total	47	(3,421)

7. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2024 and 2023. The directors of the Company have determined that no dividend will be paid in respect of the current period (six months ended 30 June 2023: nil).

8. LOSS PER SHARE

The Company did not have any dilutive potential ordinary shares in issue for the six months ended 30 June 2024 and 2023. The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30/06/2024 HK\$'000 (unaudited)	30/06/2023 HK\$'000 (unaudited)
Loss for the period attributable to owners of the Company for the purpose of loss per share	(17,144)	(19,459)

	Six months ended	
	30/06/2024 '000 (unaudited)	30/06/2023 '000 (unaudited)
Number of ordinary shares for the purpose of loss per share	640,000	640,000

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired manufacturing and office equipment of approximately HK\$410,000 (six months ended 30 June 2023: HK\$1,202,000).

10. INTEREST IN AN ASSOCIATE

	At 30 June 2024 HK\$'000 (unaudited)	At 31 December 2023 HK\$'000 (audited)
Cost of investment in an associate	2,282	2,282
Share of post-acquisition losses	(1,917)	(1,877)
	365	405

11. FINANCIAL ASSETS AT FVTPL

	At 30 June 2024 HK\$'000 (unaudited)	At 31 December 2023 HK\$'000 (audited)
Unlisted:		
— Equity investment	21,641	21,745

Fair value of the equity investment is valued using asset based approach in which the underlying property is valued by income capitalisation method. A fair value loss of HK\$104,000 (six months ended 30 June 2023: fair value gain of HK\$1,051,000) was recognised in profit or loss for the period.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2024 HK\$'000 (unaudited)	At 31 December 2023 HK\$'000 (audited)
Trade receivables (note i)	31,745	13,520
Less: allowance for credit losses	(172)	(122)
	31,573	13,398
Prepayments and other receivables (note ii)	9,445	9,385
Value-added tax recoverable	17,857	19,265
Utility and rental deposits	1,399	1,474
Others	98	437
	60,372	43,959

Notes:

- (i) Included in the Group's trade receivables are bills receivables of HK\$26,471,000 (31 December 2023: HK\$8,432,000).
- (ii) Included in the Group's prepayments and other receivables is an amount due from an investee of HK\$6,400,000 (31 December 2023: HK\$6,400,000) which is unsecured, interest-free and repayable on demand.

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

	At 30 June 2024 HK\$'000 (unaudited)	At 31 December 2023 HK\$'000 (audited)
Within 30 days	12,056	6,174
31 to 60 days	6,899	5,124
61 to 120 days	12,041	1,867
121 to 180 days	706	319
181 to 365 days	7	3
More than 365 days	36	33
	31,745	13,520

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

13. TRADE AND OTHER PAYABLES

	At 30 June 2024 HK\$'000 (unaudited)	At 31 December 2023 HK\$'000 (audited)
Trade payables (note i)	30,040	12,016
Deposits received (note ii)	5,888	5,920
Payroll payables	3,406	4,085
Others	2,482	2,841
	41,816	24,862
Analysed as:		
Current	40,858	23,643
Non-current	958	1,219
	41,816	24,862

Notes:

- (i) Included in the Group's trade payables are bills payables of HK\$28,091,000 (31 December 2023: HK\$9,646,000) issued by the Group to the relevant suppliers for future settlement. The Group continues to recognise these trade payables as the relevant banks are obliged to make payments only on due dates of the bills, under the same conditions as agreed with the suppliers and the Group makes corresponding settlements with the relevant banks on due date without further extension. Accordingly, the management of the Group considered these arrangements do not involve financing and presents cash outflows for such settlements as arising from operating activities.
- (ii) The balance mainly represented deposits received from an apparel brand for the Group to secure production of denim fabric based on procurement projections of the brand owner before confirmed purchase orders.

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 30 June 2024 HK\$'000 (unaudited)	At 31 December 2023 HK\$'000 (audited)
Within 30 days	12,458	10,469
31 to 60 days	11,150	1,547
61 to 120 days	6,432	–
	30,040	12,016

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

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

14. BANK BORROWINGS

All bank borrowings are unsecured and repayable within one year based on scheduled repayment dates.

As at 30 June 2024, the Group's borrowings carried variable rates of 5.54% to 7.34% (31 December 2023: 6.44% to 6.64%) per annum.

15. SHARE CAPITAL

	Number of Shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	1,000,000,000	10,000
Issued and fully paid:		
At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	640,000,000	6,400

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

16. RELATED PARTY DISCLOSURES

(a) Related party transactions

The Group entered into the following transactions with a related party during the six months ended 30 June 2024 and 2023:

Related Party	Nature of transaction	Six months ended	
		30 June 2024 HK\$'000 (unaudited)	30 June 2023 HK\$'000 (unaudited)
Star Alliance Holdings Limited (note)	Interest expense on lease liabilities	26	94
	Lease payments	1,719	1,719

Note: The Controlling Shareholders of the Company have control or beneficial interests in this entity.

(b) Compensation of directors and key management personnel

	Six months ended	
	30 June 2024 HK\$'000 (unaudited)	30 June 2023 HK\$'000 (unaudited)
Salaries and other allowances	5,032	5,085
Retirement benefit scheme contributions	36	36
Other benefits (note)	768	768
	5,836	5,889

Note: Other benefits represent the estimated money value of rentals for directors' quarters. During the current interim period, depreciation of right-of-use assets in relation to these non-monetary benefits amounted to HK\$739,000 (six months ended 30 June 2023: HK\$739,000).

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

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

16. RELATED PARTY DISCLOSURES (Continued)

(c) Related party balances

The Group had the following outstanding balance with a related party at the end of the reporting period:

	At 30 June 2024 HK\$'000 (unaudited)	At 31 December 2023 HK\$'000 (audited)
Amount due from:		
Associate		
Ardo Living Limited (note)	616	616

Note: The amount due from Ardo is unsecured, interest-free and has no fixed repayment term.

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of financial assets included in financial assets included in trade and other receivables, amount due from an associate, cash and cash equivalents, financial liabilities included in trade and other payables, bank borrowings and lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments or the effect of discounting is not material.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of unlisted equity investment included in financial asset at FVTPL has been estimated using asset based approach in which the underlying property is valued by income capitalisation method and is classified under Level 3 of the fair value hierarchy as the valuation involved significant unobservable inputs. The valuation requires the directors to make estimates about the fair value of the assets and liabilities of the entity and using unobservable inputs of reversionary yield and reversionary rental for the valuation of the underlying property. An increase in the reversionary yield used in valuation would result in a decrease in the fair value of the financial asset at FVTPL.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2024

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

Assets measured at fair value:

As at 30 June 2024, the Group's financial assets at FVTPL of HK\$21,641,000 (unaudited) (31 December 2023: HK\$21,745,000 (audited)) were classified under Level 3 of fair value measurement using significant unobservable inputs under the fair value measurement hierarchy.

During the six months ended 30 June 2024 and 2023, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

The movement in fair values within Level 3 of the fair value measurements hierarchy during the periods are as follows:

	Six months ended	
	30 June 2024 HK\$'000	30 June 2023 HK\$'000
At 1 January	21,745	21,094
Fair value (loss)/gain recognised in profit or loss	(104)	1,051
At 30 June	21,641	22,145

Liabilities measured at fair value

There were no financial liabilities measured at fair value as at 30 June 2024 and 31 December 2023.

Corporate Information

EXECUTIVE DIRECTORS

Mr. Tung Wai Ting Stephen
Mr. Tung Cheuk Ming Stanley

NON-EXECUTIVE DIRECTOR

Ms. Lau Chung Chau (*Chairlady*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tsang Ling Biu Gilbert
Mr. Cheung Che Kit Richard
Mr. Wong Ming Bun David

COMPANY SECRETARY

Mr. Cheung Ka Chun

AUDIT COMMITTEE

Mr. Tsang Ling Biu Gilbert (*Chairman*)
Mr. Cheung Che Kit Richard
Mr. Wong Ming Bun David

REMUNERATION COMMITTEE

Mr. Wong Ming Bun David (*Chairman*)
Mr. Cheung Che Kit Richard
Mr. Tung Wai Ting Stephen

NOMINATION COMMITTEE

Mr. Wong Ming Bun David (*Chairman*)
Mr. Cheung Che Kit Richard
Mr. Tung Cheuk Ming Stanley

AUTHORISED REPRESENTATIVES

Mr. Tung Wai Ting Stephen
Mr. Cheung Ka Chun

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