HINGTEX HOLDINGS LIMITED
興紡控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1968)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Total revenue for the year ended 31 December 2019 decreased by approximately 21.0% year-to-year to HK$506.3 million, as compared with total revenue of HK$640.7 million for the year ended 31 December 2018.

Net profit attributable to owners of the Company for the year ended 31 December 2019 decreased by approximately 92.7% to HK$5.3 million, as compared with net profit of HK$72.8 million for the year ended 31 December 2018.

Basic earnings per Share for the year ended 31 December 2019 was HK0.82 cents as compared with basic earnings per Share of HK13.14 cents for the year ended 31 December 2018.

For the reasons explained below under "Review of Unaudited Annual Results", the auditing process for the annual results of Hingtex Holdings Limited (the "Company" or "Hingtex") has not been completed. In the meantime, the board (the "Board") of directors (the "Directors") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	Year ended 31 December 2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
Revenue	4	**506,257**	640,724
Cost of sales		**(403,587)**	(440,111)
Gross profit		**102,670**	200,613
Other income	6	**10,078**	7,194
Other gains and losses	7	**3,549**	(508)
Impairment losses under expected credit loss model, net of reversal		**272**	136
Selling and distribution expenses		**(27,539)**	(27,117)
Administrative expenses		**(76,897)**	(67,826)
Listing expenses		**–**	(17,344)
Share of profit of a joint venture		**90**	139
Finance costs		**(3,963)**	(3,357)
Profit before tax	8	**8,260**	91,930
Income tax expense	9	**(2,992)**	(19,129)
Profit and total comprehensive income for the year attributable to owners of the Company		**5,268**	72,801
EARNINGS PER SHARE			
— Basic (HK cents)	10	**0.82**	13.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

		At 31 December	
		2019	2018
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		**113,754**	90,973
Right-of-use assets		**28,859**	–
Prepaid lease payments		**–**	18,434
Other intangible assets		**4,626**	5,140
Goodwill		**1,184**	1,184
Interest in a joint venture		**4,337**	4,247
Structured bank deposits		**–**	7,800
Deferred tax assets		**88**	133
Total non-current assets		**152,848**	127,911
Current assets			
Inventories		**202,058**	264,082
Trade and other receivables	*12*	**68,828**	89,302
Prepaid lease payments		**–**	647
Restricted bank deposits		**–**	4,054
Structured bank deposits		**7,800**	–
Bank balances and cash		**156,789**	185,140
Total current assets		**435,475**	543,225
Current liabilities			
Trade and other payables	*13*	**80,594**	114,076
Amount due to a joint venture		**122**	166
Tax liabilities		**3,366**	6,050
Obligations under finance leases		**–**	2,510
Lease liabilities		**7,631**	–
Bank borrowings		**64,983**	107,950
Contract liabilities		**1,968**	1,029
Total current liabilities		**158,664**	231,781
Net current assets		**276,811**	311,444
Total assets less current liabilities		**429,659**	439,355

		At 31 December	
		2019	2018
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
Non-current liabilities			
Obligations under finance leases		**–**	3,352
Lease liabilities		**1,083**	–
Deferred tax liabilities		**7,083**	6,978
Total non-current liabilities		**8,166**	10,330
Net assets		**421,493**	429,025
Capital and reserves			
Share capital	*14*	**6,400**	6,400
Reserves		**415,093**	422,625
Equity attributable to owners of the Company and total equity		**421,493**	429,025

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").

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

The principal activities of the Group are the manufacturing and sales of denim fabric.

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

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

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

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.25%.

	Note	**At 1 January 2019** *HK$'000*
Operating lease commitments disclosed as at 31 December 2018 (Audited)		12,108
Lease liabilities discounted at relevant incremental borrowing rates		11,842
Less: Recognition exemption-short-term leases		(236)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 (Unaudited)		11,606
Add: Obligations under finance leases recognised at 31 December 2018 (Audited)	*(a)*	5,862
Lease liabilities as at 1 January 2019 (Unaudited)		17,468
Analysed as		
Current		8,744
Non-current		8,724
		17,468

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Notes	Right-of-use assets *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		11,606
Reclassified from prepaid lease payments	*(b)*	19,081
Amounts included in property, plant and equipment under HKAS 17		
— Assets previously under finance leases	*(a)*	7,317
Adjustments on rental deposits at 1 January 2019	*(c)*	95
		38,099
By class:		
Leasehold lands		19,081
Buildings		11,701
Motor vehicles		7,317
		38,099

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 31 December 2018** *HK$'000* (Audited)	**Adjustments** *HK$'000* (Unaudited)	**Carrying amounts under HKFRS 16 at 1 January 2019** *HK$'000* (Unaudited)
Non-current Assets				
Property, plant and equipment	*(a)*	90,973	(7,317)	83,656
Right-of-use assets	*(a),(b),(c)*	–	38,099	38,099
Prepaid lease payments	*(b)*	18,434	(18,434)	–
Current Assets				
Prepaid lease payments	*(b)*	647	(647)	–
Trade and other receivables	*(c)*	89,302	(95)	89,207
Current Liabilities				
Lease liabilities	*(a)*	–	8,744	8,744
Obligations under finance leases	*(a)*	2,510	(2,510)	–
Non-current Liabilities				
Lease liabilities	*(a)*	–	8,724	8,724
Obligations under finance leases	*(a)*	3,352	(3,352)	–

Notes:

(a) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to HK$7,317,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK$2,510,000 and HK$3,352,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

(b) Upfront payments for leasehold lands in the PRC for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$647,000 and HK$18,434,000 respectively were reclassified to right-of-use assets.

(c) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$95,000 was adjusted to refundable rental deposits paid and right-of-use assets.

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Types of goods or service		
Sales of denim fabrics		
Stretchable blended denim fabrics	**430,610**	546,103
Stretchable cotton denim fabrics	**53,780**	69,466
Non-stretchable denim fabrics	**11,509**	18,341
Others *(note)*	**10,358**	6,814
Total	**506,257**	640,724

Note: Others mainly include revenue from sales of yarns.

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Timing of revenue recognition		
At a point in time	**506,257**	640,724

Performance obligations for contracts with customers

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

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

All denim fabrics are delivered within period less than one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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 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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bangladesh	**131,313**	101,117
The PRC	**123,216**	153,390
Hong Kong	**115,602**	315,176
Vietnam	**71,765**	49,357
Taiwan	**17,230**	7,441
Pakistan	**14,450**	–
Jordan	**12,440**	64
Macau	**11,857**	7,628
Other countries and regions	**8,384**	6,551
Total	**506,257**	640,724

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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Customer A	**70,084**	85,678
Customer B	**65,450**	84,368

6. OTHER INCOME

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interest income from bank deposits	**2,350**	1,374
Services fee income *(note)*	**6,761**	5,400
Storage income	**405**	420
Government grants — unconditional	**562**	–
	10,078	7,194

Note:

Service fee income mainly includes income from provision of management service to a joint venture including the use of premises, office equipment, utilities, facilities and consumables at a monthly sum of HK$450,000 (2018: HK$450,000).

7. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Gain on disposal of property, plant and equipment	**1,272**	626
Net foreign exchange gain (loss)	**2,615**	(547)
Others	**(338)**	(587)
	3,549	(508)

8. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Directors' remuneration:		
— Emoluments, salaries and other benefits	**17,526**	15,836
— Retirement benefit scheme contributions	**36**	36
	17,562	15,872
Other staff salaries and allowances	**47,007**	44,533
Retirement benefit scheme contributions, excluding those of directors	**3,921**	4,156
Total employee benefits expenses	**68,490**	64,561
Capitalised as cost of inventories manufactured	**(19,308)**	(21,106)
	49,182	43,455
Depreciation of property, plant and equipment	**11,745**	13,324
Depreciation of right-of-use assets	**8,591**	–
Amortisation of other intangible assets	**514**	647
Release of prepaid lease payments	**–**	647
	20,850	14,618
Capitalised as cost of inventories manufactured	**(9,770)**	(9,471)
	11,080	5,147
Auditor's remuneration	**2,045**	1,761
Cost of inventories recognised as an expense	**403,587**	440,111

9. INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current tax:		
— Hong Kong profits tax	**838**	15,601
— PRC enterprise income tax	**1,666**	3,419
Under provision in prior years		
— Hong Kong profits tax	**247**	–
— PRC enterprise income tax	**91**	275
	2,842	19,295
Deferred tax	**150**	(166)
Total	**2,992**	19,129

Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. 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.

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% (2018: 25%) during the year.

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the years ended 31 December 2019 and 2018 is based on the following data:

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Earning for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**5,268**	72,801

	Year ended 31 December	
	2019	2018
	'000	*'000*
	(Unaudited)	(Audited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**640,000**	554,082

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2018 has been retrospectively adjusted for the Reorganisation Issue and Capitalisation Issue (as defined and detailed in note 14).

No diluted earnings per share for both 2019 and 2018 were presented as there were no potential ordinary shares in issue for both 2019 and 2018.

11. DIVIDEND

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of HK0.8 cents (2018: HK2 cents) per ordinary share, in an aggregate amount of HK$5,120,000 (2018: HK$12,800,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

12. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade and bills receivables	**33,303**	48,634
Less: Allowance for credit loss	**(533)**	(805)
	32,770	47,829
Prepayments	**3,590**	5,353
Value-added tax recoverable	**28,917**	33,458
Utility and rental deposits	**1,436**	1,576
Others	**2,115**	1,086
	68,828	89,302

Rental deposits paid were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in note 2.

As at 1 January 2018, trade receivables from contracts with customers carried a gross amount of HK$23,788,000.

As at 31 December 2019, trade receivables from contracts with customers carried a gross amount of HK$20,346,000 (2018: HK$23,072,000).

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

	At 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**23,004**	33,346
31 to 60 days	**4,408**	7,459
61 to 120 days	**5,233**	5,542
121 to 180 days	**172**	1,733
181 to 365 days	**69**	164
More than 365 days	**417**	390
	33,303	48,634

13. TRADE AND OTHER PAYABLES

	At 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade and bills payables	**62,176**	96,988
Deposits received	**7,800**	7,800
Payroll payables	**6,271**	5,279
Others	**4,347**	4,009
	80,594	114,076

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

	At 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**52,059**	38,124
31 to 60 days	**6,502**	28,966
61 to 180 days	**3,615**	29,898
	62,176	96,988

14. SHARE CAPITAL OF THE COMPANY

For the purposes of presentation of the consolidated statement of financial position, the paid-in capital of the Group as at 1 January 2018 of HK$1,605,000 represents the aggregate share capital of the Company, Hingtex Group Limited ("Hingtex Group"), Kingshine Investment Group Limited ("Kingshine Group"), H.W. Textiles Co., Limited ("HWT") and Kingstead Industrial Limited ("Kingstead Industrial") prior to the completion of the Reorganisation.

	Number of Shares	**Share capital**
		HK$'000
Ordinary shares of HK$0.01 each		
Issued:		
As at 1 January 2018	100,000	1
Reorganisation Issue *(as defined in note i)*	400,000	4
Capitalisation Issue *(as defined in note ii)*	479,500,000	4,795
Issuance of new shares upon listing *(note iii)*	160,000,000	1,600
As at 31 December 2018 (audited), 1 January 2019 (unaudited) and 31 December 2019 (unaudited)	640,000,000	6,400

Notes:

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

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

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

15. EVENT AFTER THE REPORTING PERIOD

The outbreak of the 2019 Novel Coronavirus ("COVID-19") pandemic in the PRC and the subsequent quarantine measures imposed by the Mainland Chinese government as well as the travel restrictions imposed by other countries in early 2020 have had an impact on the global business environment. The Group has taken a series of pre-cautionary measures in response to the situation.

As the situation remains fluid as at the date of this announcement, the Directors of the Company considered that the financial effects of the COVID-19 pandemic on the Group's consolidated financial statements cannot be reasonably estimated. The Group will pay close and continuous attention to the situation of the COVID-19 pandemic and react proactively to its impact on the financial position and operating results of the Group.

CHAIRMAN'S STATEMENT

On behalf of the Board, I hereby present the operating results for the year ended 31 December 2019 (the "year").

Over the past year, trade tensions between the United States (the "U.S.") and the PRC persisted, which led to a slowdown in global trade growth and an erosion in business confidence. The trade conflict also affected the global denim market and retail industry. In view of the worsened Sino-U.S. trade war during 2019, additional U.S. import tariffs have been imposed on denim garments manufactured in the PRC, which resulted in the delay of denim fabric shipments to the Group's garment manufacturing customers as requested by the U.S. brand owners. Hingtex thus undertook the denim fabric orders at competitive selling prices and lower profit margin in order to optimise production capacity utilisation. Therefore, the Group was indirectly affected by the Sino-U.S. trade dispute with revenue amounting to HK$506.3 million (2018: HK$640.7 million) and gross profit totalling HK$102.7 million (2018: HK$200.6 million) during the year. Profit after taxation was HK$5.3 million (2018: HK$72.8 million).

Dividends

Supported by the Company's stringent financial control measures, Hingtex managed to maintain a strong financial position, with cash and cash equivalents of HK$156.8 million as at 31 December 2019. To thank shareholders for their support and confidence in the Group, the Board has proposed the payment of a final dividend of HK$0.8 cents per ordinary share for the year ended 31 December 2019.

Business Review

The Group has always valued building strong communication links and bonds with its customers. Over the past year, we have been able to seize opportunities owing to the nurturing of such relations. In particular, we have expanded our business portfolio by adding new product lines and brands, as well as by developing a number of tailor-made fabrics to meet our customers' needs. Furthermore, by stationing top management and sales agents in key markets, the Group has been able to quickly react to a constantly changing business environment, as well as facilitate the prompt processing of orders and adjustment in products. Such deployments have thus enabled the Group to enhance its competitiveness and standout from rivals.

Also recognising the importance of research and development ("R&D"), the Group has continued to direct such energies on creating denim fabrics that possess advanced functionalities while maintaining high-quality, comfort and aesthetic appeal. In the past three years alone, we have in fact been able to introduce more than 600 types of stretchable blended denim fabrics, while this year, we have introduced more sustainable materials such as recycled cotton and polyester into our fabric mix. To bring such materials to market, we have acquired advanced machinery to bolster capacity, as well as better control on the production costs. We will continue to conduct R&D and invest in such capabilities so that even more breakthroughs are brought to market.

Prospects

The past financial year was highly challenging owing to uncertainty arising from strained trade relations between the PRC and the U.S., compounded by the outbreak of the COVID-19 pandemic towards year end. In the coming year, global economic growth is expected to remain subdued owing to both concerns, hence calling for more conservative expectations towards the industry and our own prospects.

The Group will nonetheless persist in raising its competitiveness so as to quickly react to positive market adjustments when they appear. Correspondingly, we will continue our R&D efforts, including the development of environmentally friendly products and practices. Furthermore, reducing costs and improving our operating environment will be of high priority, hence new machinery is set to enter service in 2020, and will help incorporate innovative ideas in our denim fabrics while at the same time reduce production costs such as water and electricity.

We will also continue to explore business opportunities in various locations and strengthen our brand image in key markets. In addition, we will seek to make further inroads in Europe and the PRC. Consistent with such objectives, the Group will participate in trade shows and co-operate with renowned designers around the world.

Appreciation

I would like to take this opportunity to express my gratitude to the entire Hingtex workforce for their dedication and contributions to the Group. I wish to also extend my sincere appreciation to all of our business partners, customers and stakeholders for their unwavering support, many of whom have grown along with Hingtex over the past 30 years, and I trust will continue to enjoy mutual growth in the coming years.

TUNG Tsun Hong
Chairman and Executive Director

Hong Kong, 30 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

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

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

Purpose	**Net proceeds from the Share Offer** *(Note)* *HK$ million*	**Actual use of proceeds up to 31 December 2019** *HK$ million*	**Remaining proceeds as at 31 December 2019** *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	34.6	105.5	By the end of 2021
To attend overseas and the PRC fabric exhibitions for enhancing our market penetration and expanding our customer base	3.2	–	3.2	By the end of 2021
For general working capital and other general corporate purposes	3.7	–	3.7	By the end of 2020
	147.0	34.6	112.4	

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.

FINANCIAL REVIEW

As at 31 December 2019, bank balances and cash decreased by HK$28.3 million to HK$156.8 million (2018: HK$185.1 million), primarily due to the acquisition of property, plant and equipment amounting to HK$41.9 million during the year. Inventories decreased by HK$62.0 million to HK$202.1 million (2018: HK$264.1 million) as a result of the corresponding decrease in production volume due to fewer sales orders in response to the intensified Sino-U.S. trade war during the second half of 2019. Trade and bills receivables decreased by HK$15.0 million to HK$32.8 million (2018: HK$47.8 million) mainly due to less denim fabrics sold and delivered in the fourth quarter of 2019 against the comparable period in 2018. Current liabilities decreased by HK$73.1 million to HK$158.7 million (2018: HK$231.8 million) mainly due to less purchases made close to 2019 year-end and repayment of bank borrowings when compared with the same period in 2018.

CAPITAL COMMITMENT

As at 31 December 2019, 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 2019, net current assets were approximately HK$276.8 million (2018: HK$311.4 million). Bank balances and cash and restricted bank deposits as at 31 December 2019 were approximately HK$156.8 million (2018: HK$189.2 million).

As at 31 December 2019, there were bank borrowings of approximately HK$65.0 million (2018: HK$108.0 million), and the Group has HK$171.8 million in available banking facilities as at 31 December 2019 (2018: HK$188.3 million).

GEARING RATIO

As at 31 December 2019, the gearing ratio of the Group, based on total borrowings (including bank borrowings, lease liabilities and obligations under finance leases) to total equity (including all capital and reserves) of the Group, was 17.2% (2018: 26.5%).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 443 employees (2018: 458 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 2019, 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 2019 and up to the date of this announcement, no share options were granted.

CAPITAL EXPENDITURE

The Group's capital expenditure was HK$41.9 million during the year (2018: HK$14.1 million), which was mainly due to the capital investments in the Group's property, plant and equipment.

TREASURY POLICIES AND FOREIGN CURRENCY EXPOSURE

The Group is exposed to foreign currency risk primarily through sales, purchases, bank balances and cash and bank borrowings that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily Renminbi. As at 31 December 2019, the Group's bank borrowings carried variable rates from 2.2% to 4.1% per annum (2018: 1.6% to 3.7%). The Group has not experienced any material difficulty or liquidity problems resulting from foreign exchange fluctuations.

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

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no material contingent liability.

PLEDGE OF ASSETS

As at 31 December 2019, the Group's lease liabilities were secured by, among others, its property, plant and equipment with carrying value of approximately HK$5.1 million (2018: HK$7.3 million).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities 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 compiled with the required standards as set out in the Model Code since the Listing Date and up to the date of this announcement.

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

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

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the financial reporting matters, including the review of the unaudited annual results of the Group for the year ended 31 December 2019.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to the outbreak of the COVID-19 pandemic. The unaudited annual results contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The unaudited annual results contained herein have been reviewed by the Audit Committee of the Company.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process. The Company expects the auditing process will be completed on or before 14 April 2020 and in any event no later than 30 April 2020.

EVENT AFTER THE REPORTING PERIOD

The year 2020 began with the outbreak of the COVID-19 pandemic, which has an impact on the global business environment. The Group has taken a series of pre-cautionary measures in response to the situation. Subject to the development and spread of COVID-19 subsequent to the date of this announcement, changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this announcement. The Group will pay close and continuous attention to the situation of the COVID-19 pandemic and react proactively to its impact on the financial position and operating results of the Group.

Save for the above, there were no material events undertaken by the Group subsequent to 31 December 2019 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 Thursday, 28 May 2020 (the "2019 Annual General Meeting"). For determining the entitlement to attend and vote at the 2019 Annual General Meeting, the register of members of the Company will be closed from Monday, 25 May 2020 to Thursday, 28 May 2020, 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 2019 Annual General Meeting, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 22 May 2020.

FINAL DIVIDEND

The Board recommends payment of a final dividend of HK0.8 cents per share for the year ended 31 December 2019 (the "Proposed Final Dividend"). For determining the entitlement to the Proposed Final Dividend, the register of members of the Company will also be closed from Wednesday, 3 June 2020 to Thursday, 4 June 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 2 June 2020. Subject to the approval of the Company's shareholders at the 2019 Annual General Meeting, the Proposed Final Dividend will be paid to the Company's shareholders on Thursday, 12 June 2020.

PUBLICATION OF ANNUAL REPORT

The annual report of our Company for the year ended 31 December 2019 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.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 30 March 2020

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..