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## **HINGTEX HOLDINGS LIMITED**

### **興紡控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1968)**

## **CHANGE IN USE OF PROCEEDS**

Reference is made to the prospectus of Hingtex Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 28 June 2018 (the “**Prospectus**”) and the interim report of the Group for the six months ended 30 June 2020 published on 24 September 2020 (the “**2020 Interim Report**”). Unless otherwise defined, capitalised items used in this announcement shall have the same meanings as those defined in the Prospectus and the 2020 Interim Report.

### **PLANNED USE OF PROCEEDS**

The total net proceeds from the Share Offer after deducting professional fees, underwriting commissions and other related listing expenses were approximately HK\$147.0 million (the “**Net Proceeds**”). As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Net Proceeds were intended to be applied by the Group for the following purposes (adjusted on a pro-rata basis according to the final Offer Price and the actual Net Proceeds received):

- approximately HK\$140.1 million, representing approximately 95.3% of the Net Proceeds, would be used 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;
- approximately HK\$3.2 million, representing approximately 2.2% of the Net Proceeds, would be used to attend overseas and PRC fabric exhibitions for enhancing our market penetration and expanding our customer base; and
- approximately HK\$3.7 million, representing approximately 2.5% of the Net Proceeds, would be used as general working capital and other general corporate purposes.

As at the date of this announcement, the Group has utilised approximately HK\$53.2 million and HK\$3.7 million of the Net Proceeds for the purchase of production machinery and equipment and as general working capital of the Group, respectively.

## CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the unutilised Net Proceeds amounted to approximately HK\$90.1 million (the “**Unutilised Net Proceeds**”).

For reasons set out in the paragraph headed “Reasons for change in use of proceeds” in this announcement, the Board has resolved to change the allocation of the Unutilised Net Proceeds and the expected timeline of full utilisation of the Unutilised Net Proceeds as follows:

	Original allocation of the Net Proceeds <i>HK\$'million</i>	Utilised amount of the Net Proceeds as at the date of this announcement <i>HK\$'million</i>	Unutilised Net Proceeds as at the date of this announcement <i>HK\$'million</i>	Proposed change in the allocation of Unutilised Net Proceeds <i>HK\$'million</i>	Revised allocation of the Unutilised Net Proceeds <i>HK\$'million</i>	Expected timeframe of full utilisation of the Unutilised Net Proceeds
Purchase of production machinery and equipment and enhance product development capacity	140.1	53.2	86.9	(36.8)	50.1	By end of 2022
Attend overseas and PRC fabric exhibitions	3.2	—	3.2	(3.2)	—	—
General working capital	3.7	3.7	—	40.0	40.0	By end of 2022
	<u>147.0</u>	<u>56.9</u>	<u>90.1</u>	<u>—</u>	<u>90.1</u>	

## REASONS FOR CHANGE IN USE OF PROCEEDS

As disclosed in the 2020 Interim Report, the outbreak of COVID-19 pandemic (“**COVID-19**”) in Europe and the U.S. since March 2020 had inevitably posted a detrimental effect on the Group as customers from the U.S. accounted for the majority of its client base. In particular, the implementation of travel restrictions globally and the shutdown of retail stores in many places in the U.S. had resulted in the delay of denim fabric shipments and created greater inventory pressure on the Group since March 2020. Battered by the impacts from the above factors, profitability of the denim market and retail industry declined significantly.

The Board has considered (i) the impact of COVID-19 on the Group’s operating results for the year ended 31 December 2020; (ii) the cash outflows experienced by the Group since early 2020 due to customers requesting longer credit period while the Group continued to settle its payment obligations to its suppliers on time; (iii) the uncertainty surrounding the development of COVID-19 worldwide and the possibility that its impact on the Group’s operating results may continue for the year ending 31 December 2021; (iv) the uncertainty in relation to the recovery of the global economy, including that in Europe and the U.S.; and (v) the implementation of travel restrictions globally due to COVID-19. Given the aforementioned factors, the Board has decided to temporarily put on hold (i) the expansion of the Group’s production capacity in Zhongshan, the PRC; and (ii) participation in overseas and PRC fabric exhibitions.

After conducting a review of the operating expenses of the Group, the Board has decided to re-allocate (i) approximately HK\$36.8 million originally intended for purchasing production machinery and equipment to expand the Group's production capacity; and (ii) approximately HK\$3.2 million originally intended for attending overseas and PRC fabric exhibitions, as general working capital for the daily business operations of Group and to cope with the economic uncertainty in the future. The re-allocation of an aggregate of approximately HK\$40.0 million of the Unutilised Net Proceeds to supplement the Group's general working capital enables the Group to have greater flexibility in cash flow management, with enriched financial resources at its disposal while reserving the rights to apply the Unutilised Net Proceeds for its business expansion as and when suitable opportunities arise.

The Board considers that the reallocation of the Unutilised Net Proceeds (i) will be more beneficial to the Group's long term business development; (ii) will not have any material adverse impact on the existing business and operations of the Group; and (iii) is in the best interest of the Company and its Shareholders as a whole. Save as disclosed in this announcement, the Board confirms that there are no other changes to the use of the Net Proceeds.

**Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

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

Hong Kong, 9 March 2021

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