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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**”), the announcement of the Company dated 9 March 2021 (the “**Announcement**”) and the interim report of the Company for the six months ended 30 June 2021 published on 29 September 2021 (the “**2021 Interim Report**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus, the Announcement and the 2021 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.

On 9 March 2021, the Board has resolved to change the allocation of the unutilised Net Proceeds in accordance with the following:

- reallocating approximately HK\$36.8 million, which were originally allocated for the purchase of production machinery and equipment and enhancement of product development capacity to general working capital; and

— reallocating approximately HK\$3.2 million from attending overseas and PRC fabric exhibitions to general working capital.

## CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the unutilised Net Proceeds amounted to approximately HK\$43.7 million (the “Unutilised Net Proceeds”).

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

	Original allocation of the Net Proceeds disclosed in Prospectus HK\$'million	Revised allocation of Net Proceeds per the Announcement HK\$'million	Utilised amount of the Net Proceeds as at the date of this announcement HK\$'million	Unutilised Net Proceeds as at the date of this announcement HK\$'million	Proposed change in the allocation of Unutilised Net Proceeds HK\$'million	Revised allocation of the Unutilised Net Proceeds HK\$'million	Expected timeframe of full utilisation of the Unutilised Net Proceeds HK\$'million
Purchase of production machinery and equipment and enhance product development capacity	140.1	103.3	59.6	43.7	(43.7)	—	—
Attend overseas and PRC fabric exhibitions	3.2	—	—	—	—	—	—
General working capital	3.7	43.7	43.7	—	43.7	43.7	By the end of 2022
	<u>147.0</u>	<u>147.0</u>	<u>103.3</u>	<u>43.7</u>	<u>—</u>	<u>43.7</u>	

## REASONS FOR CHANGE IN USE OF PROCEEDS

As disclosed in the 2021 Interim Report, the overall performance of the Group has mainly been affected by the outbreak of the 2019 Novel Coronavirus pandemic (“COVID-19”) and unstable relations between the United States (the “U.S.”) and the PRC. While customers from the U.S. accounted for the majority of the Group’s client base, the economy and consumer patterns in the U.S. have been severely affected by COVID-19, and trade relations between the U.S. and the PRC remain uncertain. These factors have increased the risk profile of new development projects of the Group and rendered execution of the Group’s expansion plan more challenging. As such, the Board considers that a more cautious approach in relation to the execution of the Group’s expansion plan should be adopted and the Unutilised Net Proceeds earmarked for the purchase of production machinery, equipment and enhancement of product development capacity remained idle.

In light of the above, the Board considers that the reallocation of the remaining Unutilised Net Proceeds from the purchase of production machinery and equipment and enhancement of product development capacity to the use as general working capital would allow the Group to utilise its financial resources in a more flexible, beneficial and effective way. The Board is also of the view that the reallocation will allow the Group to meet its operational needs and provide more buffer to cope with the economic uncertainties in the future.

The Board considers that the reallocation of the Unutilised Net Proceeds will not have any material adverse impact on the existing business and operations of the Group and 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 Hung**  
*Chairman and executive Director*

Hong Kong, 31 December 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 Bui Gilbert, Mr. Cheung Che Kit Richard and Mr. Leung Wang Ching Clarence, J.P..*