HINGTEX HOLDINGS LIMITED
興紡控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1968)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

Total revenue for the year ended 31 December 2021 increased by approximately 42.1% year-to-year to HK$363.0 million, as compared with total revenue of HK$255.4 million for the year ended 31 December 2020.

Net loss attributable to owners of the Company for the year ended 31 December 2021 was approximately HK$11.9 million, as compared with net loss of HK$41.0 million for the year ended 31 December 2020.

Basic loss per Share for the year ended 31 December 2021 was HK1.86 cents as compared with basic loss per Share of HK6.41 cents for the year ended 31 December 2020.

The board (the "Board") of directors (the "Directors") of Hingtex Holdings Limited (the "Company" or "Hingtex") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

		Year ended 31 December	
		2021	2020
	NOTES	***HK$'000***	*HK$'000*
Revenue	*4*	**362,999**	255,443
Cost of sales		**(297,639)**	(231,643)
Gross profit		**65,360**	23,800
Other income	*6*	**7,789**	11,215
Other gains and losses	*7*	**2,352**	2,065
Impairment losses under expected credit loss model, net of reversal		**(95)**	(84)
Selling and distribution expenses		**(19,924)**	(17,929)
Administrative expenses		**(66,274)**	(59,422)
Share of result of a joint venture		**167**	(27)
Finance costs		**(1,384)**	(2,272)
Loss before tax	*8*	**(12,009)**	(42,654)
Income tax credit	*9*	**102**	1,622
Loss and total comprehensive expense for the year attributable to owners of the Company		**(11,907)**	(41,032)
LOSS PER SHARE			
— Basic (HK cents)	*10*	**(1.86)**	(6.41)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

		At 31 December	
		2021	2020
	NOTES	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**109,751**	109,376
Right-of-use assets		**22,018**	28,196
Other intangible assets		**3,704**	4,134
Goodwill		**1,184**	1,184
Interest in a joint venture		**4,477**	4,310
Deferred tax assets		**6,543**	1,958
Total non-current assets		**147,677**	149,158
Current assets			
Inventories		**160,641**	145,210
Trade and other receivables	*12*	**75,025**	58,092
Tax recoverable		**802**	5,329
Bank balances and cash		**119,867**	160,883
Total current assets		**356,335**	369,514
Current liabilities			
Trade and other payables	*13*	**71,022**	54,301
Amount due to a joint venture		**86**	137
Tax liabilities		**6,522**	7,159
Lease liabilities		**4,421**	4,462
Bank borrowings		**47,978**	66,550
Contract liabilities		**1,854**	562
Total current liabilities		**131,883**	133,171
Net current assets		**224,452**	236,343
Total assets less current liabilities		**372,129**	385,501

	NOTES	At 31 December 2021 HK$'000	2020 HK$'000
Non-current liabilities			
Lease liabilities		**540**	3,231
Deferred tax liabilities		**8,155**	6,929
Total non-current liabilities		**8,695**	10,160
Net assets		**363,434**	375,341
Capital and reserves			
Share capital	*14*	**6,400**	6,400
Reserves		**357,034**	368,941
Equity attributable to owners of the Company and total equity		**363,434**	375,341

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Hingtex was incorporated in the Cayman Islands on 3 November 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 July 2018 (the "Listing Date").

The Company's immediate and ultimate holding company is Manford Investment Holdings Limited, a company incorporated on 24 October 2017 in the British Virgin Islands ("BVI") under the laws of BVI with limited liability.

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's consolidated financial statements:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

Impacts on application of the agenda decision of the Committee — Cost necessary to sell inventories (HKAS 2 *Inventories*)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRs 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 April 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis 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	
	2021	2020
	HK$'000	*HK$'000*
Types of goods or service recognised at a point in time		
Sales of denim fabrics		
Stretchable blended denim fabrics	**311,091**	231,428
Stretchable cotton denim fabrics	**35,919**	14,965
Non-stretchable denim fabrics	**14,116**	8,742
Others *(note)*	**1,873**	308
Total	**362,999**	255,443

Note: Others mainly include revenue from sales of yarns.

Performance obligations for contracts with customers

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

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

5. OPERATING SEGMENTS

Information reported to the chief executive officer, being the chief operating decision maker, for the purposes of resource allocation and assessment focuses on revenue analysis by products. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

Geographical information

The Group mainly operates in Hong Kong and the People's Republic of China (the "PRC"), and the Group's non-current assets are mainly located in the PRC.

Information about the Group's revenue is presented based on the geographical location of the customers.

	Year ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
The PRC	**93,105**	73,432
Vietnam	**72,370**	56,496
Hong Kong	**72,265**	33,249
Bangladesh	**70,667**	40,775
Taiwan	**26,895**	30,632
Jordan	**8,114**	5,754
Indonesia	**6,872**	4,702
India	**5,393**	1,129
Macau	**4,825**	4,976
Pakistan	**899**	1,104
Other countries and regions	**1,594**	3,194
Total	**362,999**	255,443

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	
	2021	2020
	HK$'000	*HK$'000*
Customer A	**58,034**	37,282
Customer B	**56,501**	46,546
Customer C	**N/A** *(Note)*	30,632

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

6. OTHER INCOME

	Year ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
Interest income from bank deposits	**315**	1,379
Services fee income *(note i)*	**5,400**	5,602
Storage income	**360**	360
Government grants *(note ii)*	**392**	2,878
Sample charge income	**1,322**	996
	7,789	11,215

Note:

(i) 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 (2020: HK$450,000).

(ii) During the year ended 31 December 2020, the Group recognised government grants of HK$2,484,000 in respect of COVID-19 related conditional subsidies in respect of Employment Support Scheme provided by the Hong Kong government in which, the Group has fulfilled the requirements of the subsidies. Other government grants represent unconditional incentives from the PRC government during the current and prior years.

7. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
Net foreign exchange gain	**2,215**	2,097
(Loss) Gain on disposal of property, plant and equipment	**(18)**	196
Others	**155**	(228)
	2,352	2,065

8. LOSS BEFORE TAX

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

	Year ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
Directors' remuneration:		
— Emoluments, salaries and other benefits	**15,434**	15,494
— Retirement benefit scheme contributions	**36**	36
	15,470	15,530
Other staff salaries and allowances	**49,738**	34,301
Retirement benefit scheme contributions, excluding those of directors	**1,445**	711
Total employee benefits expenses	**66,653**	50,542
Capitalised as cost of inventories manufactured	**(18,177)**	(13,321)
	48,476	37,221
Depreciation of property, plant and equipment	**10,899**	12,161
Depreciation of right-of-use assets	**7,552**	8,236
Amortisation of other intangible assets	**430**	492
	18,881	20,889
Capitalised as cost of inventories manufactured	**(10,302)**	(9,800)
	8,579	11,089
Auditor's remuneration	**2,375**	2,372
Cost of inventories recognised as an expense	**297,639**	230,693
Write-down of inventories	**–**	950

9. INCOME TAX CREDIT

	Year ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
Current tax:		
— PRC enterprise income tax	**3,095**	1,747
Under (Over) provision in prior years		
— Hong Kong profits tax	**162**	(1,501)
— PRC enterprise income tax	**–**	156
	3,257	402
Deferred tax	**(3,359)**	(2,024)
Total	**(102)**	(1,622)

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%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

There were no assessable profits in Hong Kong for the year ended 31 December 2021 and 2020.

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% (2020: 25%). As one of the PRC subsidiaries of the Group was qualified as "High-tech Enterprise" in 2020 in relation to their production activities, this PRC subsidiary, upon satisfaction of the criteria required, was subject to a preferential PRC Enterprise Income Tax rate of 15% for three years with effective date on 1 January 2020.

10. LOSS PER SHARE

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

	Year ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
Loss for the purpose of basic loss per share	**(11,907)**	(41,032)

	Year ended 31 December	
	2021	2020
	'000	*'000*
Number of ordinary shares for the purpose of basic loss per share	**640,000**	640,000

No diluted earnings per share for both 2021 and 2020 were presented as there were no potential ordinary shares in issue for both 2021 and 2020.

11. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

12. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2021	2020
	HK$'000	*HK$'000*
Trade receivables	**14,446**	12,688
Bills receivable	**27,769**	16,420
	42,215	29,108
Less: Allowance for credit loss	**(712)**	(617)
	41,503	28,491
Prepayments	**4,910**	3,687
Value-added tax recoverable	**25,374**	23,598
Utility and rental deposits	**1,328**	1,473
Others	**1,910**	843
	75,025	58,092

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

	At 31 December	
	2021	2020
	HK$'000	*HK$'000*
Within 30 days	**20,916**	20,618
31 to 60 days	**16,754**	5,438
61 to 120 days	**4,183**	2,701
121 to 180 days	**12**	–
181 to 365 days	**20**	52
More than 365 days	**330**	299
	42,215	29,108

13. TRADE AND OTHER PAYABLES

	At 31 December	
	2021	2020
	HK$'000	*HK$'000*
Trade and bills payables	**55,612**	41,798
Deposits received	**5,872**	3,980
Payroll payables	**5,637**	5,615
Others	**3,901**	2,908
	71,022	54,301

The ageing 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	
	2021	2020
	HK$'000	*HK$'000*
Within 30 days	**14,139**	19,665
31 to 60 days	**17,980**	14,415
61 to 180 days	**23,493**	7,718
	55,612	41,798

14. SHARE CAPITAL OF THE COMPANY

	Number of Shares	Share capital
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 January 2020, 31 December 2020 and 31 December 2021	1,000,000,000	10,000
Issued and fully paid:		
As at 1 January 2020, 31 December 2020 and 31 December 2021	640,000,000	6,400

CHAIRMAN'S STATEMENT

The global economy continued to be confronted with numerous challenges in 2021 as the 2019 Novel Coronavirus ("COVID-19") maintained its grip on many parts of the world. Still, the global denim market did witness a gradual recovery as a whole, with sales rising in the first half year, and this recovery continued during the remaining six months of 2021. Riding on the recovery of the industry, the Group managed to turnaround both the revenue and gross profit, with an impressive increase of 42% and 175% respectively. For the year ended 31 December 2021 (the "Year"), revenue amounted to HK$363.0 million (2020: HK$255.4 million), with loss for the year attributable to owners of the Company of approximately HK$11.9 million (2020: HK$41.0 million). The significant improvement was attributed to the almost doubling of gross profit margin from 9.3% to 18.0%. Had it not because of the rise in cotton index and raw material costs during the Year, the figure could have been even better. Nonetheless, the Group is confident that a solid industry recovery is around the corner.

The Group remains in a healthy financial position with cash and cash equivalents of approximately HK$119.9 million for the Year.

BUSINESS REVIEW

During the Year, the Group continued to focus primarily on tapping into the U.S. market and in meeting business orders in Europe. This has consequently allowed it to achieve organic sales growth, despite ever rising material costs. Also, notwithstanding intermittent lockdowns in the U.S., a large number of stores gradually reopened, as members of the public and different tiers of government adopted a "live with the virus" approach, which fuelled a revival of the local retail market. Amidst this dynamic environment, the Group was able to secure stable orders with existing brand owner customers ("Brand Owners") while at the same time sign business contracts with new customers.

Though the business environment has improved when compared to 2020, a number of new challenges did emerge towards the second half of 2021. The horrendous disruption of the global supply chain imposed much strain on the Group's core business. Shipment delays and logistic backlogs have been blighting Hingtex's pipelines and deliveries. Surge in cotton index and raw materials costs directly increased the Group's total operating cost in the PRC. In addition, a Xinjiang cotton ban was imposed early in the year. Since most of these developments arose towards the second half of the year, the Group was, in many instances, unable to immediately transfer the cost increases to Brand Owners. Consequently, this resulted in slower than expected recovery in revenue. Nevertheless, Hingtex was able to sustain regular business with Brand Owners, and it believes that its inventory turnover can return to normal levels in the near future.

Besides sustaining business, research and development ("R&D") has remained one of the Group's primary activities. The management is fully mindful of the importance of R&D in the introduction of new product breakthroughs to the market. It is from such efforts that gave rise to Hingtex's various articles of stretchable blended denim fabrics, which, during the Year, constituted the main type of fabrics sold by the Group, accounting for 85.7% of overall fabric sales. The Group has also continued to produce new stretchable blended denim fabrics with environmentally friendly raw materials that have functional features created during the production process. Such materials have received increasing demand from Brand Owners as they seek to enhance the marketability of the final denim products by incorporating more sustainable materials in their fabrics.

Given the highly challenging business environment in recent years, the Group has also redoubled efforts in controlling costs. It continuously explores and adopts various cost cutting measures to maintain profitability as well as to sustain economies of scale. For example, the Group has closely monitored sales activities, spanning sales staff to Brand Owners and designated garment factories, with the goal of optimising shipments of new and existing denim fabrics. In addition, the Group has continued to apply its knowledge and expertise in the denim fabric manufacturing process to effectively and quickly utilise existing yarn stocks to develop new fabrics.

It is worth noting that COVID-19 posed yet another challenge, which has been maintaining effective communications with Brand Owners in the wake of travel restrictions, particularly when travelling abroad is no longer viable. Consequently, the Group has prioritised such exchanges, adopting various approaches as deemed appropriate, including shipping fabric samples to overseas partners to keep them abreast of its latest denim products.

On the financial front, the Group has been able to reduce its gearing ratio from 19.8% to 14.6% during the Year. This was achieved by fully repaying certain revolving loans that have comparatively higher interest rates, supported by its existing trade financing instruments. The Group believes that such efforts will help in building trust with its Brand Owners and thus facilitate the securing of more of their orders, as well as attract new clients to the fold.

PROSPECTS

Going forward, the Group remains cautiously optimistic about coming years and onwards as the Sino-U.S. trade war has had a marginal impact on its operations, and more importantly, the U.S. market has generally adopted a "live with the virus" approach. This mindset has resulted in a sales pickup by the Group. Moreover, according to market insiders, the global denim jeans market is expected to be valued at US$76.1 billion by 2026, hence significant market growth can be expected.

Over the past few years, the Group has given top priority to maintaining strong ties with Brand Owner as it sought to combat the market downturn. Such ties will be invaluable as it seeks to build growth momentum in the coming years. To better serve such customers, as well as broaden the spectrum of denim fabrics manufactured by the Group, large-scale finishing and dyeing equipment from Germany and Italy are now being installed in its facilities. The Group will seek to expedite the installation process by maintaining constant communications with the relevant distributors, including with their technicians once they are able to visit the PRC for the final stages of installation work.

Yet another means of bolstering its competitiveness and reinforce business ties will be through ongoing R&D, and particularly in stretchable blended denim fabrics as they constitute the Group's main product category. By developing increasingly more innovative fabrics, the Group trusts that it will also be able to attract potential brand owner customers to the fold.

Even though the Group will maintain focus on the denim fabric manufacturing business, it also believes in seizing new opportunities. Consequently, as announced by the Company in January 2022, Hingtex will invest in a property project in Tsuen Wan, which will increase the Group's passive income through dividend and capital gain. The management will continue to closely monitor business conditions and capitalise on relevant opportunities that benefit the overall performance of the Group.

TUNG Tsun Hong
Chairman and Executive Director

Hong Kong, 31 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The shares of our Company 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.

As disclosed in the announcement of the Company dated 31 December 2021, in light of the impacts from the COVID-19 pandemic and unstable relations between the U.S. and the PRC, execution of the Group's expansion plan has become more challenging. As such, 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 following sets forth a summary of the utilisation of the net proceeds:

	Net Proceeds from the Share Offer *(Note)* *HK$' million*	**Revised allocation of the proceeds** *HK$' million*	**Actual use of proceeds as at the date of this announcement** *HK$' million*	**Remaining proceeds as at the date of this announcement** *HK$' million*	**Expected timeframe of full utilisation of the remaining proceeds**
Purchase of production machinery and equipment and enhance product development capacity	140.1	59.6	59.6	–	–
Attend overseas and PRC fabric exhibitions	3.2	–	–	–	–
General working capital	3.7	87.4	87.4	–	–
	147.0	147.0	147.0	–	

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.

FINANCIAL REVIEW

As at 31 December 2021, bank balances and cash decreased by HK$41.0 million to HK$119.9 million (2020: HK$160.9 million), primarily due to the repayment of certain bank borrowing principals totalling HK$31.0 million during the year. Inventories increased by HK$15.4 million to HK$160.6 million (2020: HK$145.2 million) as a result of increase in finished goods planned to be dispatched in early 2022. Trade and bills receivables increased by HK$13.0 million to HK$41.5 million (2020: HK$28.5 million) mainly due to more denim fabrics sold and delivered in the fourth quarter of 2021 against the comparable period in 2020, which is in line with the increase in revenue in 2021 as compared to 2020. Current liabilities remained stable at HK$131.9 million (2020: HK$133.2 million), mainly due to the increase in trade and other payables by HK$16.7 million, as offset by the decrease in net bank borrowings by HK$18.6 million.

CAPITAL COMMITMENT

As at 31 December 2021, 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 2021, net current assets were approximately HK$224.5 million (2020: HK$236.3 million). Bank balances and cash as at 31 December 2021 were approximately HK$119.9 million (2020: HK$160.9 million).

As at 31 December 2021, there were bank borrowings of approximately HK$48.0 million (2020: HK$66.6 million), and the Group has HK$151.7 million in available banking facilities as at 31 December 2021 (2020: HK$112.3 million).

GEARING RATIO

As at 31 December 2021, 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 14.6% (2020: 19.8%).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 385 employees (2020: 394 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 2021, 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 2021 and up to the date of this announcement, no share options were granted.

CAPITAL EXPENDITURE

The Group's capital expenditure was HK$8.1 million during the Year (2020: HK$8.1 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. The Group has not experienced any material difficulty or liquidity problems resulting from foreign exchange fluctuations.

As at 31 December 2021, the Group's bank borrowings carried variable rates from 1.3% to 2.3% per annum (2020: 1.4% to 4.2%).

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 2021, the Group had no material contingent liability.

PLEDGE OF ASSETS

As at 31 December 2021, the Group had no pledged assets (2020: HK$3.8 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.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

AUDIT COMMITTEE

Our Company has established an audit committee (the "Audit Committee") in accordance with the requirements of the CG Code for the purpose of reviewing and supervising the Group's financial reporting process. The Audit Committee currently has three Independent Non-executive Directors, Mr. Tsang Ling Biu Gilbert, Mr. Cheung Che Kit Richard and Mr. Leung Wang 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. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2021 in conjunction with the external auditor.

EVENTS AFTER THE REPORTING PERIOD

De-registration of the joint venture

On 31 December 2021, upon expiration of the joint venture agreement, Kurabo Denim International Limited ("KDIL") ceased operation and has begun its deregistration process. As at the date of this announcement, the deregistration process of KDIL is still in progress.

Acquisition of equity securities of a company engaged in property investment

On 31 January 2022, an indirect wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with an independent third party, for the acquisition of 8% of the entire issued share capital of Supreme Gain Investments Limited ("Supreme Gain"), which is principally engaged in property investment in Hong Kong, at a maximum consideration of HK$25 million. Further details are disclosed in the announcement of the Company dated 31 January 2022.

The acquisition was completed on 22 February 2022.

Save for the above, there were no material events undertaken by the Group subsequent to 31 December 2021 and up to the date of this announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at 10:00 a.m. on Monday, 30 May 2022 (the "2021 Annual General Meeting"). For determining the entitlement to attend and vote at the 2021 Annual General Meeting, the register of members of the Company will be closed from Wednesday, 25 May 2022 to Monday, 30 May 2022, 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 2021 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 Tuesday, 24 May 2022.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2021.

PUBLICATION OF ANNUAL REPORT

The annual report of our Company for the year ended 31 December 2021 containing all the relevant information required by the Listing Rules and other applicable laws and regulations will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and our Company in due course.

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

Hong Kong, 31 March 2022

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..