HINGTEX HOLDINGS LIMITED
興紡控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1968

INTERIM REPORT
2019

Contents

Financial Highlights

	For the six months ended	
	30/06/2019	30/06/2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Revenue	**271,962**	383,181
Gross profit	**68,408**	123,768
Gross profit margin	**25.2%**	32.3%
Profit before tax	**20,302**	68,973
Profit and total comprehensive income for the period attributable to owners of the Company	**13,537**	57,463
EARNINGS PER SHARE		
— Basic (HK cents)	**2.12**	11.97

Management Discussion and Analysis

During the first half of 2019, trade tensions between the United States (the "U.S.") and the PRC remained unresolved, which led to a slowdown in global trade growth and decline in business confidence. The trade conflict also indirectly affected the Group as denim fabrics manufactured in the PRC became included among goods impacted by additional U.S. import tariffs. Consequently, during the review period, the U.S. brand owners requested that the Group holds off denim fabric shipments until they have successfully engaged qualified garment manufacturers that operate outside the PRC.

BUSINESS REVIEW

Due to the aforementioned development, the Group's revenue declined by approximately 29.0% year-on-year to HK$272.0 million (1H2018: HK$383.2 million). As a result of the general increase in the price of materials due to the Sino-U.S. trade dispute and rise in staff costs, gross profit margin declined to 25.2% (1H2018: 32.3%), with gross profit at approximately HK$68.4 million (1H2018: HK$123.8 million). Profit attributable to owners of the Company contracted by 76.4% to HK$13.5 million (1H2018: HK$57.5 million), while earnings per share were 2.12 HK cents (1H2018: 11.97 HK cents) for the six months ended 30 June 2019, mainly due to the delay in denim fabric shipments to garment manufacturing customers as requested by the U.S. brand owners to allow sufficient time for identifying qualified garment manufacturers outside the PRC.

Performance by product

While working closely with its customers to collectively overcome difficulties, the Group has at the same time continued to conduct research and development ("R&D") of denim fabrics that possess advanced functionalities while maintaining high-quality and trendiness, thus stand out from its rivals. In the past three years alone, the Group has been able to introduce more than 600 types of stretchable blended denim fabrics. These fabrics align with the rising growth trend and demand for denim garments and denim end-products with stretchable properties.

The stretchable blended denim fabrics segment represents the Groups' principal revenue contributor, accounting for 87.2% of total revenue or HK$237.2 million (1H2018: HK$344.8 million) during the review period. The Group also manufactures other fabrics, including stretchable cotton denim fabrics and non-stretchable denim fabrics, which together contributed HK$31.7 million (1H2018: HK$36.9 million) in revenue to the Group in the first half of 2019.

Performance by market

During the review period, the U.S. market remained the largest revenue contributor to the Group. This was partly due to the continuing patronage of the several reputable U.S. apparel brands complemented by the return of a renowned U.S. brand customer. To grow its footprint in the European market, the Group has appointed several sales agents in Italy to attract more orders. As a consequence, new customers from Europe have been ordering from the Group during the review period. In respect of the PRC market, the Group has opened a sales office in Guangzhou, PRC as well as hired sales agents to seize the enormous opportunities in the market. The Group has also attended several trade shows in the PRC, and collaborated with a local fashion designer to enhance its brand exposure in the country.

To enhance the Group's overall revenue and profitability, it implemented a number of measures during the review period, including better utilisation of raw materials on hand and optimisation of manufacturing processes. In this way, the Group was able to better control costs and shorten manufacturing lead time.

Management Discussion and Analysis

Financial review

As at 30 June 2019, the bank balances and cash amounted to approximately HK$166.7 million (31 December 2018: HK$185.1 million) and the net current assets amounted to approximately HK$299.2 million (31 December 2018: HK$311.4 million). Bank balances and cash decreased by HK$18.5 million primarily due to the declaration of the final dividend amounting to HK$12.8 million settled in cash. Trade and bills receivables remain stable at HK$46.1 million (31 December 2018: HK$47.8 million) as revenue generated from the second quarter of 2019 was similar to that from the fourth quarter of 2018. Current liabilities decreased by HK$38.6 million to HK$193.2 million (31 December 2018: HK$231.8 million) mainly due to the decrease in trade and bills payables.

In view of the impact from the Sino-U.S. trade war, we monitored closely our inventory level and maintained a lower reorder level so long as it meets our manufacturing requirements. Accordingly, trade and bills payables decreased by HK$31.4 million to HK$65.6 million (31 December 2018: HK$97.0 million), and our inventories also decreased by HK$29.1 million to HK$235.0 million (31 December 2018: HK$264.1 million).

PROSPECTS

Going forward, global economic growth is expected to remain subdued, which, based on the International Monetary Fund ("IMF") July 2019 World Economic Outlook report, will expand by 3.2% in 2019 and 3.5% in 2020[1]. Despite the sluggish outlook, the Group remains cautiously optimistic about its prospects, as it expects a number of U.S. brand owners will have found qualified garment manufacturers outside of the PRC to meet their production demands. The Group's outlook will, however, be largely dependent on the ability of the U.S. and the PRC to manage their trade differences which exacerbated the global business sentiment and gloomed the consumption markets.

While the aforementioned developments are beyond its control, the Group is fully mindful that its capacity to innovate and enhance its competitiveness are well within its command. The Group will therefore continue to focus on developing innovative stretchable blended denim fabrics while at the same time conduct R&D into environmentally-friendly products. New equipment with greater capabilities will also be acquired pursuant to the intended use of funds raised from our listing, which will enable the Group to develop a wider range of fabrics, increase production capacity and raise efficiency.

Still a further means of bolstering the Group's competitiveness will be widening its footprint in Europe and the PRC. In Europe, the Group will attend more exhibitions and tradeshows, such as "Denim Premiere Vision" and "Bread and Butter Tradeshow" to enhance its brand exposure, as well as deploy more local sales agents. As for the PRC market, the Group will enhance business opportunities by continuing to work with Mr. CHEN Wen, a reputable fashion designer in the PRC, particularly for the upcoming winter fashion shows. It will also strengthen ties with COTTON USA to work collectively on tapping the local market, and similar to Europe, increase brand exposure by participating in industry fashion shows. While the Group has a strong presence in the US, it will nonetheless increase its exposure by cooperating with renowned brand owners, as well as by attending important fashion calendar events.

By implementating the aforesaid strategies, the Group will keep raising its industry profile and be in a solid position to achieve long-term sustainable growth.

[1] https://www.imf.org/en/Publications/WEO/Issues/2019/07/18/WEOupdateJuly2019

Other Disclosures

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The shares of our Company (the "Shares") were listed on the Stock Exchange of Hong Kong Limited (the "SEHK") on 16 July 2018 (the "Listing Date"), raising total net proceeds of approximately HK$147.0 million after deducting professional fees, underwriting commissions and other related listing expenses.

Since the Listing Date and as of 30 June 2019, HK$9.2 million of our net proceeds has been used for the acquisition of a denim shrinking machine, which will become operational during the last quarter in 2019. The remaining net proceeds have been placed with banks in Hong Kong. The Group intends to apply the remaining proceeds in the same manner and proportions set out in the section headed "Future Plans and Use of Proceeds" in the prospectus dated 28 June 2018 (the "Prospectus").

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group finances its operations primarily with internally generated funds from operating activities and banking facilities currently available. It is anticipated that the Group has sufficient working capital to meet its present funding requirements.

As at 30 June 2019, net current assets were approximately HK$299.2 million (31 December 2018: HK$311.4 million). Bank balances and cash and restricted bank deposits as at 30 June 2019 were approximately HK$170.7 million (31 December 2018: HK$189.2 million). As at 30 June 2019, there were bank borrowings of approximately HK$97.4 million (31 December 2018: HK$108.0 million), and the Group had HK$215.7 million of available banking facilities as at 30 June 2019 (31 December 2018: HK$188.3 million).

GEARING RATIO

As at 30 June 2019, the gearing ratio of the Group, based on total borrowings to total equity (including all capital and reserves) of the Group, was 22.7% (31 December 2018: 25.2%).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had 483 employees (31 December 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. During the six months ended 30 June 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.

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 30 June 2019, the Group's bank borrowings carried variable rates from 2.23% to 3.89% per annum (31 December 2018: 1.62% to 3.71%). The Group has not experienced any material difficulty or liquidity problems resulting from foreign exchange fluctuations.

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

CONTINGENT LIABILITIES

As at 30 June 2019, the Group had no material contingent liability (31 December 2018: Nil).

Other Disclosures

CAPITAL COMMITMENT

As at 30 June 2019, the Group had capital commitment of HK$25.4 million for the acquisition of a slasher dye unit for our dyeing operation (31 December 2018: Nil).

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2019. In the event that the Group is engaged in any plan for material investments or capital assets, the Company will make announcement(s) and comply with relevant rules under the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules") as and when appropriate.

CHANGES IN INFORMATION OF DIRECTORS

During the review period, there was no change in information of Directors to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 from the Listing Date up to the date of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the model code for securities transactions by Directors of listed issuers (the "Model Code") as the code of conduct regarding securities transactions by Directors. Following specific enquiry by the Company, all the Directors have confirmed that they have complied with the required standard as set out in the Model Code and its code of conduct regarding directors' securities transactions for the six months ended 30 June 2019 and up to the date of this report.

CORPORATE GOVERNANCE CODE

The Company has applied and complied with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code") for the six months ended 30 June 2019 and up to the date of this report.

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. The latest meeting of the Audit Committee was held to review the results of the Group for the six months ended 30 June 2019.

REVIEW OF THE INTERIM RESULTS

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

Other Disclosures

INTERESTS OF DIRECTORS AND THE CHIEF EXECUTIVE

As at the date of this report, the interests and short positions of each Director and the chief executive of our Company in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to our Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to our Company and SEHK pursuant to the Model Code, are as follows:

(a) Interests and/or short positions in our Company

Director	Nature of interest	Number of Shares held[1]	Percentage of Interest in our Company
Mr. Tung Tsun Hong ("Mr. TH Tung")	Interest in controlled corporation[(2)]	480,000,000 (L)	75%
Mr. Tung Wai Ting Stephen ("Mr. Stephen Tung")	Interest in controlled corporation[(2)]	480,000,000 (L)	75%
Mr. Tung Cheuk Ming Stanley ("Mr. Stanley Tung")	Interest in controlled corporation[(2)]	480,000,000 (L)	75%

Notes:

1. The letter "L" denotes a long position in the Shares.

2. Mr. TH Tung, Mr. Stephen Tung, Mr. Stanley Tung, Ms. Lau Chung Chau ("Mrs. Tung"), Ms. Tung Wei Ling ("Ms. Barbara Tung") and Ms. Tung Wai Lai ("Ms. Mabel Tung") entered into a deed of concert parties dated 9 March 2018 (the "Deed of Concert Parties"), pursuant to which, the parties confirmed that they have been acting in concert with each other in exercising and implementing the management and operations of our subsidiaries and that it is their intention to continue to act in the above manner upon the listing of our Shares on the Main Board of the SEHK (the "Listing"). Accordingly, Manford Investment is deemed to be accustomed and/or obliged to act in accordance with their directions and/or instructions and that, among others, each of Mr. TH Tung, Mr. Stanley Tung and Mr. Stephen Tung is deemed to be interested in all the Shares held by Manford Investment under the SFO.

Other Disclosures

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

Director	Company concerned	Nature of interests	Number of shares held in the company concerned[1]	Percentage of interest in the company concerned
Mr. TH Tung	Manford Investment[2]	Beneficial owner; a concert party to an agreement to buy shares described in s. 317(1)(a) of the SFO[3]	100 (L)	100%
Mr. Stephen Tung	Manford Investment[2]	Beneficial owner; a concert party to an agreement to buy shares described in s. 317(1)(a) of the SFO[3]	100 (L)	100%
Mr. Stanley Tung	Manford Investment[2]	Beneficial owner; a concert party to an agreement to buy shares described in s. 317(1)(a) of the SFO[3]	100 (L)	100%

Note:

1. The letter "L" denotes long position in the shares held.

2. Manford Investment is interested in 75% of the issued Shares and, accordingly, is the holding company of our Company within the meaning of the SFO.

3. Manford Investment is owned as to 30% by Mr. TH Tung, 20% each by Mr. Stephen Tung and Mr. Stanley Tung and 10% each by Mrs. Tung, Ms. Barbara Tung and Ms. Mabel Tung, all of whom have entered into the Deed of Concert Parties, pursuant to which, the parties confirmed that they have been acting in concert with each other in exercising and implementing the management and operations of our subsidiaries and that it is their intention to continue to act in the above manner upon the Listing. Accordingly, each of Mr. TH Tung, Mr. Stephen Tung and Mr. Stanley Tung is deemed to be interested in the shares of Manford Investment held by the other parties to the Deed of Concert Parties under the SFO.

Save as disclosed above, as at the date of this report, none of our Directors nor the chief executive of our Company had any interests or short positions in the shares, underlying shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to our Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to our Company and SEHK pursuant to the Model Code.

Other Disclosures

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the date of this report, so far as our Directors are aware, the following persons had an interest or short position in the Shares or the underlying Shares which were required to be disclosed to our Company and SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity/nature of interest	Number of Shares[1]	Percentage shareholding
Manford Investment[2]	Beneficial owner	480,000,000 (L)	75%
Mr. TH Tung	Interest of controlled corporation[3]	480,000,000 (L)	75%
Mr. Stephen Tung	Interest of controlled corporation[3]	480,000,000 (L)	75%
Mr. Stanley Tung	Interest of controlled corporation[3]	480,000,000 (L)	75%
Ms. Li Ka Mei	Interest of spouse[4]	480,000,000 (L)	75%
Mrs. Tung	Interest of controlled corporation[3]	480,000,000 (L)	75%
Ms. Barbara Tung	Interest of controlled corporation[3]	480,000,000 (L)	75%
Mr. Li Chi Hiu Lawrence	Interest of spouse[5]	480,000,000 (L)	75%
Ms. Mabel Tung	Interest of controlled corporation[3]	480,000,000 (L)	75%
Mr. Fung Cheong Chi	Interest of spouse[6]	480,000,000 (L)	75%

Notes:

1. The letter "L" denotes a long position in the Shares.

2. As at the date of this report, Manford Investment was owned as to 30% by Mr. TH Tung, 20% by Mr. Stephen Tung, 20% by Mr. Stanley Tung, 10% by Mrs. Tung, 10% by Ms. Barbara Tung and 10% by Ms. Mabel Tung.

3. Mr. TH Tung, Mr. Stanley Tung, Mr. Stephen Tung, Mrs. Tung, Ms. Barbara Tung and Ms. Mabel Tung entered into the Deed of Concert Parties, pursuant to which, among others, the parties confirmed that they have been acting in concert with each other in exercising and implementing the management and operations of our subsidiaries and that it is their intention to continue to act in the above manner upon the Listing. Accordingly, Manford Investment is deemed to be accustomed and/or obliged to act in accordance with their directions and/or instructions and that each of Mr. TH Tung, Mr. Stephen Tung, Mr. Stanley Tung, Mrs. Tung, Ms. Barbara Tung and Ms. Mabel Tung is deemed to be interested in all the Shares held by Manford Investment under the SFO.

4. Ms. Li Ka Mei is the spouse of Mr. Stanley Tung and is deemed, under the SFO, to be interested in all the Shares that Mr. Stanley Tung is interested.

5. Mr. Li Chi Hiu Lawrence is the spouse of Ms. Barbara Tung and is deemed, under the SFO, to be interested in all the Shares that Ms. Barbara Tung is interested.

6. Mr. Fung Cheong Chi is the spouse of Ms. Mabel Tung and is deemed, under the SFO, to be interested in all the Shares that Ms. Mabel Tung is interested.

Save as disclosed above, our Directors are not aware of any persons who have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at the date of this report, our Directors are not aware of any persons who had an interest or short position in the Shares or the underlying Shares which were required to be disclosed to our Company and SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme upon the passing the written resolutions of the then shareholder on 19 June 2018 (the "Share Option Scheme"). Pursuant to the Share Option Scheme, our Directors may grant options to eligible participants to subscribe for the Shares subject to the terms and conditions stipulated therein. Upon the Listing, all conditions set forth have been satisfied. No share options had been granted under the Share Option Scheme since its adoption.

IMPORTANT EVENTS AFTER THE INTERIM PERIOD UNDER REVIEW

On 23 July 2019, a further HK$25.4 million of our net proceeds was used for the acquisition of a slasher dye unit in accordance with our proposed use of net proceeds from the initial public offering. The unit will become fully operational earliest in December 2019.

Report on Review of Condensed Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF HINGTEX HOLDINGS LIMITED
興紡控股有限公司
(incorporated in the Cayman Islands as an exempted company with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Hingtex Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 12 to 34, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institution of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 August 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	NOTES	Six months ended 30/06/2019 HK$'000 (unaudited)	30/06/2018 HK$'000 (unaudited)
Revenue	3	**271,962**	383,181
Cost of sales		**(203,554)**	(259,413)
Gross profit		**68,408**	123,768
Other income	4	**4,230**	4,116
Other gains and losses		**2,486**	428
Impairment losses under expected credit loss model, net of reversal		**(151)**	(455)
Selling and distribution expenses		**(12,702)**	(12,638)
Administrative expenses		**(39,701)**	(31,502)
Listing expenses		**–**	(13,274)
Share of results of a joint venture		**(154)**	82
Finance costs		**(2,114)**	(1,552)
Profit before tax	5	**20,302**	68,973
Income tax expense	6	**(6,765)**	(11,510)
Profit and total comprehensive income for the period attributable to owners of the Company		**13,537**	57,463
EARNINGS PER SHARE			
— Basic (HK cents)	8	**2.12**	11.97

Condensed Consolidated Statement of Financial Position

At 30 June 2019

	NOTES	30/06/2019 HK$'000 (unaudited)	31/12/2018 HK$'000 (audited)
Non-current Assets			
Property, plant and equipment	9	**92,968**	90,973
Right-of-use assets	9	**29,516**	–
Prepaid lease payments		**–**	18,434
Other intangible assets		**4,885**	5,140
Goodwill		**1,184**	1,184
Interest in a joint venture		**4,093**	4,247
Structured bank deposits		**7,800**	7,800
Deferred tax assets		**158**	133
		140,604	127,911
Current Assets			
Inventories		**234,958**	264,082
Trade and other receivables	10	**86,745**	89,302
Prepaid lease payments		**–**	647
Restricted bank deposits		**4,050**	4,054
Bank balances and cash		**166,680**	185,140
		492,433	543,225
Current Liabilities			
Trade and other payables	11	**81,737**	114,076
Amount due to a joint venture	14	**263**	166
Tax liabilities		**6,353**	6,050
Obligations under finance leases		**–**	2,510
Bank borrowings	12	**97,368**	107,950
Lease liabilities		**5,853**	–
Contract liabilities		**1,672**	1,029
		193,246	231,781
Net Current Assets		**299,187**	311,444
Total Assets less Current Liabilities		**439,791**	439,355

Condensed Consolidated Statement of Financial Position

At 30 June 2019

	NOTES	30/06/2019 HK$'000 (unaudited)	31/12/2018 HK$'000 (audited)
Capital and Reserves			
Share capital	13	**6,400**	6,400
Share premium		**164,701**	164,701
Reserves		**258,661**	257,924
Equity attributable to owners of the Company and total equity		**429,762**	429,025
Non-current Liabilities			
Obligations under finance leases		**–**	3,352
Deferred tax liabilities		**7,016**	6,978
Lease liabilities		**3,013**	–
		10,029	10,330
Capital and Reserves and Non-current Liabilities		**439,791**	439,355

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2018 (audited)	1,605	–	9,282	279,036	289,923
Profit and total comprehensive income for the period	–	–	–	57,463	57,463
Dividend recognised as distribution (note 7)	–	–	–	(100,000)	(100,000)
Effect on reorganisation (note 13)	(1,600)	–	1,600	–	–
At 30 June 2018 (unaudited)	5	–	10,882	236,499	247,386
At 1 January 2019 (audited)	**6,400**	**164,701**	**6,087**	**251,837**	**429,025**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**13,537**	**13,537**
Dividend recognised as distribution (note 7)	**–**	**–**	**–**	**(12,800)**	**(12,800)**
At 30 June 2019 (unaudited)	**6,400**	**164,701**	**6,087**	**252,574**	**429,762**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended	
	30/06/2019	30/06/2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Profit before tax	**20,302**	68,973
Adjustments for:		
Finance costs	**2,114**	1,552
Interest income	**(1,260)**	(578)
Share of results of a joint venture	**154**	(82)
Depreciation of property, plant and equipment	**5,982**	7,271
Depreciation of right-of-use assets	**2,908**	–
Amortisation of intangible assets	**255**	367
Release of prepaid lease payments	**–**	324
Impairment losses recognised on trade receivables, net of reversal	**151**	455
Loss (gain) on disposal of property, plant and equipment	**17**	(366)
Net foreign exchange (gains) losses	**(1,137)**	506
Operating cash flows before movements in working capital	**29,486**	78,422
Decrease (increase) in inventories	**29,124**	(36,772)
Decrease (increase) in trade and other receivables	**2,349**	(46,891)
Decrease in trade and other payables	**(32,339)**	(3,269)
Increase in contract liabilities	**643**	15
Increase in amount due to a joint venture	**97**	–
Cash generated from (used in) operations	**29,360**	(8,495)
Income tax paid	**(6,445)**	(22,761)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**22,915**	(31,256)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(15,311)**	(6,310)
Interest received	**1,260**	578
Advance to directors	**–**	(27,411)
Payment of consideration for acquisition of subsidiaries in prior year	**–**	(6,840)
Placement on maturity of restricted bank deposits	**–**	(116)
Repayment from directors	**–**	5,250
Repayment from a joint venture	**–**	3,495
Proceeds on disposal of property, plant and equipment	**–**	2,006
NET CASH USED IN INVESTING ACTIVITIES	**(14,051)**	(29,348)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended	
	30/06/2019	30/06/2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
FINANCING ACTIVITIES		
New bank borrowings raised	**50,179**	21,926
Repayment of bank borrowings	**(60,761)**	(7,221)
Dividend paid (note 7)	**(12,800)**	(72,459)
Repayment of lease liabilities	**(2,965)**	–
Interest paid	**(2,114)**	(1,552)
Payments of listing expenses	**–**	(1,881)
Repayment to related companies	**–**	(739)
Repayment of finance leases	**–**	(660)
Advance from a joint venture	**–**	726
NET CASH USED IN FINANCING ACTIVITIES	**(28,461)**	(61,860)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(19,597)**	(122,464)
Cash and cash equivalents at 1 January	**185,140**	153,957
Effect of foreign exchange rate changes	**1,137**	(506)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by		
Bank balances and cash	**166,680**	30,987

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

1. GENERAL

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

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 and is owned as to 30% by Tung Tsun Hong ("Mr. TH Tung"), 20% by Tung Wai Ting Stephen ("Mr. Stephen Tung"), 20% by Tung Cheuk Ming Stanley ("Mr. Stanley Tung"), 10% by Lau Chung Chau ("Mrs. Tung"), 10% by Tung Wei Ling Barbara ("Ms. Barbara Tung") and 10% by Tung Wai Lai Mabel ("Ms. Mabel Tung") (collectively referred to as the "Controlling Shareholders"). Mr. TH Tung and Mrs. Tung are the father and mother, respectively, of Mr. Stephen Tung, Mr. Stanley Tung, Ms. Barbara Tung and Ms. Mabel Tung.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the manufacturing and sales of denim fabric. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the interim report.

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.

1A. BASIS OF PREPARATION

The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The condensed consolidated financial statements have been prepared on the basis as if the Company had always been the holding company of the companies now comprising the Group throughout the six months ended 30 June 2018.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") *Interim Financial Reporting* issued by the Hong Kong Institution of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

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 period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 16 Leases

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

2.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and buildings

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use asset) when the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.2 Transition and summary of effects arising from initial application of HKFRS 16

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.2 Transition and summary of effects arising from initial application of HKFRS 16 *(Continued)*

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained earnings 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. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. 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;

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

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the People's Republic of China ("the PRC")/in Hong Kong was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

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 lessee's incremental borrowing rate applied is 4.25%.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.2 Transition and summary of effects arising from initial application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

	Note	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018		10,868
Lease liabilities discounted at relevant incremental borrowing rates		9,021
Less:		
Recognition exemption — short-term leases		3,052
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		5,969
Add:		
Obligations under finance leases recognised at 31 December 2018	(a)	5,862
Lease liabilities as at 1 January 2019		11,831
Analysed as		
Current		5,975
Non-current		5,856
		11,831

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.2 Transition and summary of effects arising from initial application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

The carrying amount of right-of-use assets 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	(b)	5,969
Reclassified from prepaid lease payments	(c)	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	(d)	57
		32,424
By class:		
Leasehold lands		19,081
Buildings		6,026
Motor vehicles		7,317
		32,424

The following adjustments were made to the amounts recognised in the condensed 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$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000
Non-current Assets				
Property, plant and equipment	(a)	90,973	(7,317)	83,656
Right-of-use assets	(a), (b), (c), (d)	–	32,424	32,424
Prepaid lease payments	(c)	18,434	(18,434)	–
Current Assets				
Prepaid lease payments	(c)	647	(647)	–
Trade and other receivables	(d)	89,302	(57)	89,245

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.2 Transition and summary of effects arising from initial application of HKFRS 16 *(Continued)*

As a lessee *(Continued)*

	Notes	Carrying amounts previously reported at 31 December 2018 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000
Current Liabilities				
Lease liabilities	(a), (b)	–	5,975	5,975
Obligations under finance leases	(a)	2,510	(2,510)	–
Non-current Liabilities				
Lease liabilities	(a), (b)	–	5,856	5,856
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) Upon the application of HKFRS 16, an amount of HK$5,969,000 representing right-of-use assets relating to operating leases was recognised. In the meantime, the current and non-current portion of lease liabilities amounting to HK$3,465,000 and HK$2,504,000 respectively were recognised.

(c) Upfront payments for leasehold lands in the PRC 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.

(d) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. 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$57,000 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 six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

3. REVENUE AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), being the chief executive officer, in order to allocate resources to segments and to assess their performance.

During the six months ended 30 June 2019, the CODM assesses the operating performance and allocates the resources of the Group as a whole as the Group is primarily engaged in manufacturing of the denim fabrics. Therefore, the management considers that the Group only has one operating segment. The Group mainly operates in Hong Kong and the PRC, and the Group's non-current assets are mainly located in the PRC.

Disaggregation of revenue

The following is an analysis of the Group's revenue from its major products and services:

	Six months ended	
	30/06/2019	30/06/2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Non-stretchable denim fabrics	**6,574**	10,125
Stretchable cotton denim fabrics	**25,126**	26,733
Stretchable blended denim fabrics	**237,150**	344,782
Others (note)	**3,112**	1,541
Total	**271,962**	383,181

Note: Others mainly include revenue from sales of yarns.

	Six months ended	
	30/06/2019	30/06/2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Timing of revenue recognition:		
At a point in time	**271,962**	383,181

4. OTHER INCOME

	Six months ended	
	30/06/2019	30/06/2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest income from bank deposits	**1,260**	578
Services fee from a joint venture (note)	**2,700**	2,700
Storage income	**210**	210
Government grant — unconditional	**60**	628
	4,230	4,116

Note: The amounts mainly represented the services charges income from a joint venture of the Group. Services fee represents income from provision of management services including the use of premises, office equipment, utilities, facilities and consumables at a monthly sum of HK$450,000.

5. PROFIT BEFORE TAX

	Six months ended	
	30/06/2019	30/06/2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Directors' remunerations:		
— Emoluments, salaries and other benefits	**6,888**	7,628
— Retirement benefits scheme contributions	**18**	18
	6,906	7,646
Other staff salaries and allowances	**22,802**	20,628
Retirement benefits scheme contributions, excluding those of directors	**1,976**	1,858
Total employee benefits expenses	**31,684**	30,132
Capitalised in cost of inventories manufactured	**(10,572)**	(9,162)
	21,112	20,970
Depreciation of property, plant and equipment	**5,982**	7,271
Depreciation of right-of-use assets	**2,908**	–
Amortisation of other intangible assets	**255**	367
Release of prepaid lease payments	**–**	324
	9,145	7,962
Capitalised in cost of inventories manufactured	**(4,175)**	(3,895)
	4,970	4,067
Cost of inventories recognised as expense	**203,554**	259,413

6. INCOME TAX EXPENSE

	Six months ended	
	30/06/2019	30/06/2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax:		
— Hong Kong Profits Tax	**796**	10,787
— PRC Enterprise Income Tax	**5,705**	469
Underprovision in prior years		
— Hong Kong Profits Tax	**–**	378
— PRC Enterprise Income Tax	**251**	–
Deferred tax	**13**	(124)
Total	**6,765**	11,510

7. DIVIDENDS

During the current interim period, a final dividend of HK 2 cents per share in respect of the year ended 31 December 2018 was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to HK$12,800,000.

In May 2018, a special dividend amounting to HK$100,000,000 was recognised as distribution of the Company to its shareholders. Pursuant to the settlement agreements signed between the Group and the controlling shareholders, the amounts due from directors of HK$27,541,000 were offset against such special dividend.

The directors of the Company have determined that no dividend will be paid in respect of the current interim period.

8. EARNINGS PER SHARE

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

	Six months ended	
	30/06/2019	30/06/2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earning for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**13,537**	57,463

8. EARNINGS PER SHARE *(Continued)*

	Six months ended	
	30/06/2019	30/06/2018
	'000	'000
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**640,000**	480,000

The number of ordinary shares for the purpose of basic earnings per share has been retrospectively adjusted for the Reorganisation Issue and Capitalisation Issue (as defined in note 13). Please refer to note 13 for details.

No diluted earnings per share for the six months ended 30 June 2019 and 2018 was presented as the Company did not have any dilutive potential ordinary shares in issue for the six months ended 30 June 2019 and 2018.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of HK$17,000 (six months ended 30 June 2018: HK$1,640,000) for nil consideration (six months ended 30 June 2018: HK$2,006,000), resulting in a loss on disposal of HK$17,000 (six months ended 30 June 2018: gain on disposal of HK$366,000).

During the current interim period, the Group acquired manufacturing equipment of approximately HK$15,311,000 (six months ended 30 June 2018: HK$6,310,000) in order to upgrade its manufacturing capabilities.

During the current interim period, the Group did not enter into new lease agreement or lease modification.

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2019	At 31 December 2018
	HK$'000	HK$'000
	(unaudited)	(audited)
Trade and bills receivables	**47,105**	48,634
Less: allowance for credit loss	**(956)**	(805)
	46,149	47,829
Prepayments	**6,567**	5,353
Value-added tax recoverable	**31,636**	33,458
Utility and rental deposits	**1,361**	1,576
Others	**1,032**	1,086
	86,745	89,302

10. TRADE AND OTHER RECEIVABLES *(Continued)*

As at 30 June 2019, 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 the reporting period:

	At 30 June 2019 HK$'000 (unaudited)	At 31 December 2018 HK$'000 (audited)
Within 30 days	**16,561**	33,346
31 to 60 days	**12,700**	7,459
61 to 120 days	**17,015**	5,542
121 to 180 days	**57**	1,733
181 to 365 days	**321**	164
More than 365 days	**451**	390
	47,105	48,634

11. TRADE AND OTHER PAYABLES

	At 30 June 2019 HK$'000 (unaudited)	At 31 December 2018 HK$'000 (audited)
Trade and bills payables	**65,611**	96,988
Deposits received	**7,800**	7,800
Payroll payables	**4,718**	5,279
Others	**3,608**	4,009
	81,737	114,076

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

	At 30 June 2019 HK$'000 (unaudited)	At 31 December 2018 HK$'000 (audited)
Within 30 days	**23,539**	38,124
31 to 60 days	**22,599**	28,966
61 to 180 days	**19,473**	29,898
	65,611	96,988

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

12. BORROWINGS

During the current interim period, the Group obtained new bank borrowings with amounts of approximately HK$50,179,000 (six months ended 30 June 2018: HK$21,926,000). The proceeds were used to meet the working capital requirement and acquisitions of property, plant and equipment. Repayment of bank borrowings amounting to approximately HK$60,761,000 (six months ended 30 June 2018: HK$7,221,000) were made in line with the relevant repayment terms.

As at 30 June 2019, the Group's borrowings carried variable rates of 2.23% to 3.89% (31 December 2018: 1.62% to 3.71%) per annum.

13. SHARE CAPITAL

	Number of Shares	Share capital
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised and 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 and 30 June 2019	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 Limited, Kingshine Investment Group Limited, H.W. Textiles Company Limited and Kingstead Industrial Limited (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 reserve 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. Upon the completion of the issuance, the number of ordinary shares of the Company increased to 640,000,000.

14. RELATED PARTY DISCLOSURES

(a) Related party transactions

The Group entered into the following transactions with its related parties during the six months ended 30 June 2019 and 2018:

Related Party	Nature of transaction	Six months ended 30/06/2019 HK$'000 (unaudited)	30/06/2018 HK$'000 (unaudited)
Kurabo Denim International Limited (note i)	Services fees income	**2,700**	2,700
	Purchase of raw materials and related service fee	**2,160**	2,160
	Royalty fee expense	**2,039**	2,554
Star Alliance Holdings Limited (note ii, iii, iv)	Rental expenditure	**1,490**	1,844
	Lease payment paid	**426**	–
Hing Tak Weaving Factory Limited (note ii)	Rental expenditure	**–**	112

Notes:

(i) Kurabo Denim International Limited is a joint venture of the Group.

(ii) The Controlling Shareholders have control or beneficial interests in these entities.

(iii) The Group entered into four lease agreements with Star Alliance Holdings Limited with the remaining lease term of 12 months from 1 January 2019 for the use of parking located in Car Parking Space on 2 and 3 Floor, office on 30 and 31 Floor, TML Tower, No.3 Hoi Shing Road, Tsuen Wan, NT, Hong Kong. The Group is required to make fixed monthly payments. As at 1 January 2019, the Group elected not to recognise right-of-use assets and lease liabilities due to the lease term ends within 12 months of the date of initial application. During the current interim period, the Group repaid the lease payment of HK$1,490,000.

(iv) The Group entered into a lease agreement with Star Alliance Holdings Limited with the remaining lease term of 2 years from 1 January 2019 for the use of office located in TML Tower, No.3 Hoi Shing Road, Tsuen Wan, NT, Hong Kong. The Group is required to make fixed monthly payments. As at 1 January 2019, the Group recognised lease liabilities of HK$1,307,000 and right-of-use assets of the same amount upon the adoption of HKFRS 16. During the current interim period, HK$426,000 of lease payment has been made. As at 30 June 2019, the corresponding carrying amount of the lease liabilities is HK$900,000.

14. RELATED PARTY DISCLOSURES *(Continued)*

(b) Compensation of directors and key management personnel

	Six months ended	
	30/06/2019	30/06/2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Salaries and other allowances	**7,354**	8,205
Retirement benefit scheme contributions	**42**	45
Other benefits (note)	**828**	768
	8,224	9,018

Note: Other benefits represent rentals for directors' quarters.

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

(c) Related party balances

The Group had the following outstanding balances with its related party at the end of the reporting period:

	At 30 June	At 31 December
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(audited)
Amount due to:		
Joint Venture		
Kurabo Denim International Limited (note)	**263**	166

Note: The amount due to a joint venture as at 30 June 2019 and 31 December 2018 was arising from purchases of raw materials and related service fee.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

15. PLEDGED ASSETS

The Group's borrowings are secured by assets of the Group and the carrying amounts of which at the end of the reporting period are stated below:

	At 30 June 2019 HK$'000 (unaudited)	At 31 December 2018 HK$'000 (audited)
Property, plant and equipment	**6,504**	7,317
Restricted bank deposits	**4,050**	4,054
	10,554	11,371

16. CAPITAL COMMITMENTS

	At 30 June 2019 HK$'000 (unaudited)	At 31 December 2018 HK$'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**25,400**	–

Corporate Information

EXECUTIVE DIRECTORS

Mr. Tung Tsun Hong *(Chairman)*
Mr. Tung Wai Ting Stephen
Mr. Tung Cheuk Ming Stanley

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tsang Ling Bin Gilbert
Mr. Cheung Che Kit Richard
Mr. Leung Wang Ching Clarence, *J.P.*

COMPANY SECRETARY

Mr. Cheung Ka Chun

AUDIT COMMITTEE

Mr. Tsang Ling Biu Gilbert *(Chairman)*
Mr. Cheung Che Kit Richard
Mr. Leung Wang Ching Clarence, *J.P.*

REMUNERATION COMMITTEE

Mr. Leung Wang Ching Clarence, *J.P. (Chairman)*
Mr. Cheung Che Kit Richard
Mr. Tung Wai Ting Stephen

NOMINATION COMMITTEE

Mr. Leung Wang Ching Clarence, *J.P. (Chairman)*
Mr. Cheung Che Kit Richard
Mr. Tung Cheuk Ming Stanley

AUTHORISED REPRESENTATIVES

Mr. Tung Wai Ting Stephen
Mr. Cheung Ka Chun

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