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**PACIFIC TEXTILES HOLDINGS LIMITED**

**互太紡織控股有限公司\***

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

**(Stock Code: 01382)**

**ANNOUNCEMENT OF ANNUAL RESULTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

The Board of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2022 together with the comparative figures for the year ended 31 March 2021 as follows:

**FINANCIAL INFORMATION**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the year ended 31 March 2022*

	<i>Note</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	2	<b>6,066,310</b>	5,384,897
Cost of sales	4	<b>(5,289,992)</b>	(4,523,208)
<b>Gross profit</b>		<b>776,318</b>	861,689
Other income and other gains – net	3	<b>92,413</b>	193,246
Reversal of impairment/(impairment loss) of trade receivables		<b>366</b>	(5,396)
Distribution and selling expenses	4	<b>(73,476)</b>	(80,883)
General and administrative expenses	4	<b>(178,594)</b>	(179,713)
<b>Operating profit</b>		<b>617,027</b>	788,943
Finance income	5	<b>16,125</b>	23,347
Finance costs	5	<b>(21,975)</b>	(14,572)
Share of profits of associates		<b>34,890</b>	40,647
<b>Profit before income tax</b>		<b>646,067</b>	838,365
Income tax expense	6	<b>(66,832)</b>	(103,026)
<b>Profit for the year</b>		<b>579,235</b>	735,339
Profit attributable to:			
Equity holders of the Company		<b>572,677</b>	721,491
Non-controlling interests		<b>6,558</b>	13,848
		<b>579,235</b>	735,339
Earnings per share attributable to equity holders of the Company for the year <i>(expressed in HK\$ per share)</i>			
– basic	7	<b>0.41</b>	0.51
– diluted	7	<b>0.41</b>	0.51

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Profit for the year</b>	<b>579,235</b>	735,339
Other comprehensive income:		
<i>Items that have been or may be reclassified to profit or loss:</i>		
Currency translation differences	<b>116,398</b>	205,368
<b>Total comprehensive income for the year</b>	<b>695,633</b>	940,707
Attributable to:		
Equity holders of the Company	<b>687,438</b>	923,635
Non-controlling interests	<b>8,195</b>	17,072
	<b>695,633</b>	940,707

## CONSOLIDATED BALANCE SHEET

As at 31 March 2022

	<i>Note</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,443,149</b>	1,433,276
Right-of-use assets		<b>192,186</b>	200,217
Interests in associates		<b>359,368</b>	347,077
Financial assets at fair value through other comprehensive income		<b>427</b>	853
Deferred income tax assets		<b>19,240</b>	15,525
Deposits for land use rights and prepayment for property, plant and equipment		<b>110,020</b>	71,744
		<b>2,124,390</b>	2,068,692
<b>Current assets</b>			
Inventories		<b>1,236,784</b>	1,223,425
Trade and bills receivables	9	<b>945,591</b>	863,552
Deposits, prepayments and other receivables		<b>46,895</b>	64,168
Amounts due from associates		<b>1,388</b>	12,605
Financial assets at fair value through profit or loss		<b>44,018</b>	15,437
Current income tax recoverable		–	6,010
Short-term bank deposits		–	11,323
Cash and cash equivalents		<b>1,545,128</b>	946,152
		<b>3,819,804</b>	3,142,672
<b>Total assets</b>		<b>5,944,194</b>	5,211,364

## CONSOLIDATED BALANCE SHEET (Cont'd)

As at 31 March 2022

	<i>Note</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		1,411	1,411
Share premium		1,303,246	1,303,246
Reserves		<u>2,114,468</u>	<u>2,033,264</u>
		<b>3,419,125</b>	3,337,921
<b>Non-controlling interests</b>		<u>11,399</u>	<u>15,704</u>
<b>Total equity</b>		<u>3,430,524</u>	<u>3,353,625</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		126,218	125,375
Lease liabilities		7,974	7,181
Deferred income tax liabilities		79,845	63,219
Other non-current provision		<u>37,957</u>	<u>37,310</u>
		<u>251,994</u>	<u>233,085</u>
<b>Current liabilities</b>			
Borrowings		1,453,683	645,443
Trade and bills payables	10	592,691	718,617
Accruals and other payables		137,778	165,527
Lease liabilities		27,141	34,036
Financial liabilities at fair value through profit or loss		–	3,282
Current income tax liabilities		<u>50,383</u>	<u>57,749</u>
		<u>2,261,676</u>	<u>1,624,654</u>
<b>Total liabilities</b>		<u>2,513,670</u>	<u>1,857,739</u>
<b>Total equity and liabilities</b>		<u>5,944,194</u>	<u>5,211,364</u>

# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

## General information

Pacific Textiles Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in manufacturing and trading of textile products with production base located in the People’s Republic of China (the “PRC”) and Vietnam.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 23 June 2022.

## 1 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1.1 Basis of preparation

The consolidated financial information, contained in this announcement, has been extracted based on the audited consolidated financial statements of the Group for the year ended 31 March 2022 which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost basis, except for financial assets at fair value through other comprehensive income and derivative financial instruments which were measured at fair value.

The preparation of consolidated financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

#### (a) *Amendments to standards to existing standards adopted by the Group*

The Group has applied the following amendments for the first time for the reporting period commencing 1 April 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	Covid-19-related rent concessions beyond 2021

All amendments to standards listed above do not have significant effect on the Group’s accounting policies.

# 1 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

## 1.1 Basis of preparation (Cont'd)

### (b) *New standards and amendments to standards that have been issued but are not effective*

The following new and amended standards and interpretations have been issued but are not effective for the financial year beginning on 1 April 2021 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to Annual Improvements Project	Annual improvements o HKFRSs 2018–2020	1 April 2022
Amendments to Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination	1 April 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 April 2023
Amendments to HKAS 1 and HKFRS Practice statement 2	Disclosure of Accounting Policies	1 April 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 April 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	1 April 2023
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments	1 April 2022
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 April 2023
HKFRS 17	Insurance contracts and the related amendments	1 April 2023
HK(IFRIC)-Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 April 2023

None of the above new standards and amendments to standards is expected to have a material impact on the consolidated financial statements of the Group in the current or future reporting periods and on foreseeable future transactions.

## 1.2 Subsidiaries

### 1.2.1 Consolidation

Subsidiaries are entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

### (a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the aggregate fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

# 1 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

## 1.2 Subsidiaries (Cont'd)

### 1.2.1 Consolidation (Cont'd)

#### (a) Business combinations (Cont'd)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

Intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet and consolidated statement of changes in equity respectively.

#### (b) Changes in ownership interests in subsidiaries without change in control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### (c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### 1.2.2 Separate financial statements

Interests in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividends received and receivable.

Impairment testing of the interests in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the financial statements of the investee's net assets including goodwill.

## 2 SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) has been identified as the executive directors of the Company collectively, who review the Group’s internal reporting in order to assess performance and allocate resources.

As all of the Group’s business operations relate to the manufacturing and trading of textile products with similar economic characteristics, the executive directors review the performance of the Group as a single segment, which covers operations conducted by subsidiaries in Hong Kong, Macau, the PRC and Vietnam. The executive directors review resources allocation and assess performance of the Group on a regular basis based on the following financial information:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue – sales of goods (recognised at a point in time) (iii)	<b>6,066,310</b>	5,384,897
Gross profit	<b>776,318</b>	861,689
Gross profit margin (%)	<b>12.8%</b>	16.0%
Operating expenses	<b>251,704</b>	265,992
Operating expenses/Revenue (%)	<b>4.1%</b>	4.9%
EBITDA ( <i>Note (ii)</i> )	<b>838,727</b>	1,010,016
EBITDA/Revenue (%)	<b>13.8%</b>	18.8%
Finance income	<b>16,125</b>	23,347
Finance costs	<b>21,975</b>	14,572
Depreciation and amortisation (included in cost of sales and operating expenses)	<b>186,810</b>	180,426
Share of profits of associates	<b>34,890</b>	40,647
Income tax expense	<b>66,832</b>	103,026
Profit attributable to equity holders of the Company	<b>572,677</b>	721,491
Net profit margin (%)	<b>9.4%</b>	13.4%
Total assets	<b>5,944,194</b>	5,211,364
Equity attributable to equity holders of the Company	<b>3,419,125</b>	3,337,921
Cash and bank balances	<b>1,545,128</b>	957,475
Borrowings	<b>1,579,901</b>	770,818
Inventories	<b>1,236,784</b>	1,223,425
Inventory turnover days ( <i>Note (iv)</i> )	<b>85</b>	95
Trade and bills receivables	<b>945,591</b>	863,552
Trade and bills receivables turnover days ( <i>Note (v)</i> )	<b>54</b>	54
Trade and bills payables	<b>592,691</b>	718,617
Trade and bills payables turnover days ( <i>Note (iv)</i> )	<b>45</b>	55

## 2 SEGMENT INFORMATION (Cont'd)

Notes:

- (i) To supplement the consolidated results of the Group prepared in accordance with HKFRS, certain non-HKFRS financial measures, including, EBITDA, EBITDA/Revenue, inventories turnover days, trade and bills receivables turnover days, and trade and bills payables turnover days have been presented in this report. The Company's management believes that the non-HKFRS financial measures provide investors with clearer view on the Group's financial results, and with useful supplementary information to assess the performance of the Group's strategic operations. Nevertheless, the use of these non-HKFRS financial measures has limitations as an analytical tool. These non-HKFRS financial measures should be considered in addition to, not as a substitute for, analysis of the Company's financial performance prepared in accordance with HKFRS.
- (ii) EBITDA is defined as profit for the year before finance income, finance costs, income tax expense, depreciation and amortisation.
- (iii) As at 31 March 2022, the Group has recognized contract liabilities amounting to HK\$5,503,000 (2021: HK\$10,380,000) relating to contracts with customers.

For the year ended 31 March 2022 and 2021, the Group recognised revenue of HK\$10,380,000 (2021: HK\$18,898,000) related to carried-forward contract liabilities.

- (iv) The turnover days are calculated by the simple average of the beginning of the year and the end of the year balances over cost of sales.
- (v) The turnover days are calculated by the simple average of the beginning of the year and the end of the year balances over revenue.

A reconciliation of EBITDA to total profit before income tax is provided as follows:

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
EBITDA	<b>838,727</b>	1,010,016
Depreciation and amortisation	<b>(186,810)</b>	(180,426)
Finance income	<b>16,125</b>	23,347
Finance costs	<b>(21,975)</b>	(14,572)
	<hr/>	<hr/>
Profit before income tax	<b>646,067</b>	838,365
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## 2 SEGMENT INFORMATION (Cont'd)

The Group's revenue represents sales of goods. An analysis of revenue by geographical location, as determined by the destination where the products were delivered, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Vietnam	2,584,158	2,508,157
PRC	1,351,264	1,024,559
Bangladesh	331,395	277,483
Hong Kong	296,683	326,929
Haiti	284,447	263,222
Sri Lanka	278,263	216,495
America	238,466	194,063
Cambodia	217,262	182,539
Indonesia	209,366	189,065
Jordan	88,840	35,256
Africa	85,532	53,318
India	53,856	51,354
Other Asian countries	46,448	61,679
Others non-Asian countries	330	778
	<u>6,066,310</u>	<u>5,384,897</u>

For the year ended 31 March 2022, customer A and customer B accounted for approximately 36% (2021: 39%) and 16% (2021: 18%) of the Group's revenue, respectively. All other customers individually accounted for less than 8% of the Group's revenue for years ended 31 March 2022 and 2021.

The Group's non-current assets (excluding interests in associates and deferred income tax assets) are located in the following geographical areas:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
PRC	1,259,264	1,263,674
Hong Kong	10,276	10,815
Vietnam	476,242	431,601
	<u>1,745,782</u>	<u>1,706,090</u>

### 3 OTHER INCOME AND OTHER GAINS – NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other income:		
Sale of scrap materials	40,463	34,706
Utilities income	35,964	27,495
Rental income	3,196	3,216
Government grants	2,754	20,884
Handling income	1,158	991
Sub-contracting income	948	3,208
Sundry income ( <i>Note (i)</i> )	18,946	35,493
	<u>103,429</u>	<u>125,993</u>
Other gains – net:		
Derivative financial instruments – forward foreign currency contracts	19,811	14,921
(Loss)/gain on disposal of right-of-use assets and property, plant and equipment	(565)	97,654
Net foreign exchange losses	(30,262)	(45,322)
	<u>(11,016)</u>	<u>67,253</u>
	<u><u>92,413</u></u>	<u><u>193,246</u></u>

*Note:*

- (i) Sundry income represents insurance indemnity for water damage of yarn, accident and missing goods.

### 4 EXPENSES BY NATURE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories	4,561,256	3,889,422
Depreciation of property, plant and equipment	180,461	175,070
Depreciation of right-of-use assets	6,349	5,356
Employee benefits expense (including directors' emoluments)	713,658	644,713
Freight charges	53,955	48,667
Operating lease payments in respect of land and buildings	1,178	121
Auditor's remuneration		
– Audit services	2,937	2,906
– Non-audit services	303	248
Others	21,965	17,301
	<u>5,542,062</u>	<u>4,783,804</u>
Total cost of sales, distribution and selling expenses and general and administrative expenses	<u><u>5,542,062</u></u>	<u><u>4,783,804</u></u>

## 5 FINANCE INCOME AND COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finance income:		
– Bank interest income	4,876	5,297
– Net foreign exchange gain on cash and cash equivalents	11,249	18,050
	<u>16,125</u>	<u>23,347</u>
Finance costs:		
– Interest expense on bank loans	(11,382)	(10,368)
– Net foreign exchange loss on bank loans	(7,928)	(1,470)
– Interest expenses arising from lease liabilities	(1,565)	(1,550)
– Imputed interest of provision for reinstatement cost	(1,100)	(1,184)
	<u>(21,975)</u>	<u>(14,572)</u>
Net finance (cost)/income	<u>(5,850)</u>	<u>8,775</u>

## 6 INCOME TAX EXPENSE

The amount of income tax charged to the consolidated statement of profit or loss represents:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	20,881	53,949
– Overseas income tax	34,093	36,076
Deferred tax	11,858	13,001
	<u>66,832</u>	<u>103,026</u>

## 7 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue, excluding treasury shares, during the year.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u>572,677</u>	<u>721,491</u>
Weighted average number of shares in issue ( <i>thousands</i> )	<u>1,411,208</u>	<u>1,411,218</u>
Basic earnings per share ( <i>HK\$ per share</i> )	<u>0.41</u>	<u>0.51</u>

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. The Company has share options to employees for years ended 31 March 2022 and 2021.

Since the average market price of the Company's shares during the year is less than the assumed exercise price of the share options, the potential ordinary shares were not included in the calculation of the diluted earnings per share as their inclusion would be anti-dilutive. Accordingly, diluted earnings per share for the years ended 31 March 2022 and 2021 is the same as basic earnings per share of the respective year.

## 8 DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interim dividend paid of HK21 cents (2021: HK22 cents) ( <i>Note (i)</i> )	296,353	310,466
Proposed final dividend of HK14 cents (2021: HK22 cents) ( <i>Note (ii)</i> )	<u>197,569</u>	<u>310,466</u>
	<u>493,922</u>	<u>620,932</u>

### Notes:

- (i) On 25 November 2021, the Company's Board of Directors declared an interim dividend of HK21 cents per share (2021: HK22 cents) for the six-month period ended 30 September 2021. The amount was paid in December 2021.
- (ii) On 23 June 2022, the Company's Board of Directors proposed a final dividend of HK14 cents (2021: HK22 cents) per share for the year ended 31 March 2022. This proposed dividend has not been reflected as dividend payable in the consolidated financial statements as at 31 March 2022.

## 9 TRADE AND BILLS RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	908,056	816,207
Bills receivables	39,140	49,368
	<u>947,196</u>	<u>865,575</u>
Less: Provision for impairment of trade receivables	(1,605)	(2,023)
	<u><u>945,591</u></u>	<u><u>863,552</u></u>

The book carrying amounts of trade and bills receivables approximate their fair values.

Majority of the Group's sales are with credit terms of 30 to 120 days. The aging analysis of trade and bills receivables based on invoice date is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 60 days	700,960	653,969
61 – 120 days	242,233	208,405
121 days – 1 year	4,003	3,201
	<u>947,196</u>	<u>865,575</u>

## 10 TRADE AND BILLS PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	575,028	697,182
Bills payables	17,663	21,435
	<u>592,691</u>	<u>718,617</u>

The book carrying amounts of trade and bills payables approximate their fair values.

**10 TRADE AND BILLS PAYABLES (Cont'd)**

Credit period granted by creditors generally ranges from 30 to 90 days. The aging analysis based on invoice date on trade and bills payables were aged as follows:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 60 days	<b>591,782</b>	671,205
61 – 120 days	–	40,135
121 days – 1 year	<b>909</b>	7,277
	<u><b>592,691</b></u>	<u>718,617</u>

**11 CAPITAL COMMITMENTS**

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contracted but not provided for:		
Property, plant and equipment	<u><b>264,265</b></u>	<u>171,668</u>

At 31 March 2022, the Group did not have any significant share of capital commitments of its associates (2021: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OVERVIEW**

#### **BUSINESS AND FINANCIAL REVIEW**

Pacific Textiles Holdings Limited and its subsidiaries are principally engaged in manufacturing and trading of textiles products, including high quality cotton and synthetic knitted fabrics.

#### **Revenue**

During the year under review, revenue of the Group was approximately HK\$6,066.3 million (2021: approximately HK\$5,384.9 million) representing an increase of 12.7% as compared with the year ended 31 March 2021, due to increase of average sales price by 9.6%.

Revenue generated from sales of goods from different geographical locations (as determined by where the products were delivered to) is set out in note 2 to the financial information of this announcement.

Other incomes comprising, among others, sales of scrap materials and utilities income are set out in note 3 to the financial information of this announcement.

#### **Cost of sales**

Cost of sales of the Group was approximately HK\$5,290.0 million (2021: approximately HK\$4,523.2 million) representing an increase of 17.0% as compared with the year ended 31 March 2021 due to inflation of raw materials and fuel cost.

#### **Profit**

During the year under review, profit attributable to equity holders of the Company was approximately HK\$572.7 million (2021: approximately HK\$721.5 million) representing a decrease of 20.6% as compared with last year. If the one-time other gain of approximately HK\$100.5 million arising from disposal of two properties and a carpark in Hong Kong in comparable period is excluded, it represents a decrease of approximately 7.9% in profit.

#### **Selling and distribution expenses**

During the year under review, selling and distribution expenses including impairment loss on trade receivables slightly decreased to HK\$73.1 million (2021: HK\$86.3 million).

#### **Administration expenses**

The administration expenses slightly decreased to HK\$178.6 million (2021: HK\$179.7 million).

#### **Finance costs**

Finance costs increased by approximately 50.7% to HK\$22.0 million (2021: HK\$14.6 million) mainly due to increase in net exchange loss on revaluation of USD bank loan.

#### **Trade receivables and trade payables turnover days**

Trade receivables turnover days was 54 days while trade payables turnover days was 45 days.

## Income tax

The Group recorded an income tax expense of approximately HK\$66.8 million during the year under review (2021: HK\$103.0 million). The average effective tax rate of the Group was approximately 10.3% which was lower than last year (2021: 12.3%). The reduction in effective tax rate was mainly attributed to the benefit of PRC tax incentives resulted from research and development projects.

## Assets

As at 31 March 2022, the total assets of the Group were HK\$5,944.2 million (2021: HK\$5,211.4 million) representing an increase of approximately 14.1%. The total assets comprised non-current assets of HK\$2,124.4 million (2021: HK\$2,068.7 million) and current assets of HK\$3,819.8 million (2021: HK\$3,142.7 million). Such increase was a result of increase in trade and bills receivables, and cash and bank balances.

## Key financial ratios are set out below:

	For the year ended 31 March	
	2022	2021
Gross Profit Margin <sup>(1)</sup>	12.8%	16.0%
Return on Equity <sup>(2)</sup>	16.9%	21.9%
Interest Coverage Ratio <sup>(3)</sup>	57.8	81.9

### Notes:

- (1) The calculation of Gross Profit Margin is based on gross profit divided by revenue and multiplied by 100%.
- (2) The calculation of Return on Equity is based on profit for the year divided by total equity and multiplied by 100%.
- (3) The calculation of Interest Coverage Ratio is based on profit before interest expenses on bank loans and tax expenses divided by interest expenses on bank loans.

## Liquidity and financial resources and capital structure

As at 31 March 2022, the Group was in a net cash position of HK\$(34.8) million (2021: HK\$186.7 million). The reduction was due to increase in accounts receivables, arising from increase of sales revenue and decrease in accounts payable as payment terms resume to normal.

The Group's principal source of working capital was cash generated from sales of its products, supplemented with bank borrowings and a shareholder's loan contributed by our joint venture partner for the Vietnam subsidiary.

As at 31 March 2022, the Group had total cash and bank balances of HK\$1,545.1 million (2021: HK\$957.5 million) comprising of HK\$132.2 million, the equivalent of HK\$1,093.3 million denominated in US\$, the equivalent of HK\$309.6 million denominated in RMB, the equivalent of HK\$4.6 million denominated in VND and the equivalent of HK\$5.4 million denominated in other currencies. The cash and bank balances was to finance the Group's working capital and capital expenditure plans.

The Group had bank loans of HK\$1,453.7 million (2021: HK\$645.4 million) and shareholder's loan of HK\$126.2 million (2021: HK\$125.4 million) contributed by our joint venture partner to the Vietnam subsidiary. The said shareholder's loan was of equity nature and was not repayable within one year. The Group did not pledge any of its assets for bank borrowing (2021: Nil).

For the year ended 31 March 2022, the Group's total assets amounted to HK\$5,944.2 million (2021: HK\$5,211.4 million) representing an increase of 14.1%. Non-current assets and current assets were HK\$2,124.4 million and HK\$3,819.8 million respectively. The above assets were financed by current liabilities of HK\$2,261.7 million, non-current liabilities of HK\$252.0 million and equity attributable to Shareholders of HK\$3,419.1 million.

### Capital expenditure and capital commitment

The Group had been adopting cautious measures and fine-tuned its capital expenditure in response to the market demand. During the year under review, total capital expenditure decreased by 39.6% to HK\$122.1 million (2021: HK\$202.3 million) which was mainly used to purchase machinery and to finance the environmental protection projects of Panyu factory and Vietnam factory.

Details of capital commitments are set out in note 11 to the financial information of this announcement.

### Key liquidity or leverage ratios:

	<b>As at 31 March</b>	
	<b>2022</b>	2021
Current Ratio <sup>(4)</sup>	<b>1.7</b>	1.9
Quick Ratio <sup>(5)</sup>	<b>1.1</b>	1.2
Gearing Ratio <sup>(6)</sup>	<b>46.6%</b>	23.6%
Debt to Equity Ratio <sup>(7)</sup>	<b>73.3%</b>	55.4%

#### Notes:

- (4) The calculation of Current Ratio is based on current assets divided by current liabilities.
- (5) The calculation of Quick Ratio is based on current assets minus inventories divided by current liabilities.
- (6) The calculation of Gearing Ratio is based on total borrowings and bills payable divided by total equity multiplied by 100%.
- (7) The calculation of Debt to Equity Ratio is based on total liabilities divided by total equity multiplied by 100%.

## **Risk Management on Foreign Exchange and Interest Exposure**

The Group had been exposed to foreign exchange risk arising from various currency exposures with respect to the US Dollars, Renminbi and Vietnamese Dongs primarily. The Group managed its foreign exchange risks by performing regular review and monitoring its foreign exchange exposures. The Group would hedge against certain of its exposures in order to reduce the risk involved as appropriate.

The Group mainly operated in Hong Kong, PRC, Macau and Vietnam. Except for certain cash and bank balances and certain inter-company receivables denominated in foreign currencies, transactions were generally conducted in a functional currency of the respective group entity. The foreign currency risk arising from recognised assets and liabilities was considered by the Directors to be minimal.

The Group had been using forward foreign currency contracts to hedge part of its foreign exchange risk. These forward foreign currency contracts did not qualify for hedge accounting and were accounted for at fair value through profit or loss.

## **Pledge of Assets**

No assets were pledged to obtain financing as at 31 March 2021 and 31 March 2022 respectively.

## **Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures**

There was no material acquisition or disposal of the Company's subsidiaries, associates and joint ventures during the year ended 31 March 2022.

## **Contingent Liabilities**

As at 31 March 2022, the Group had no material contingent liabilities (2021: Nil).

## **Events Subsequent to the Period**

There was no significant event undertaken by the Company or by the Group after 31 March 2022 and up to the date of this announcement.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 March 2022, the Group had 4,697 full-time employees (2021: 4,933). There was no significant change in the Group's remuneration policy. The Group's remuneration package for its employees included salary, bonuses, allowances and retirement benefits based on the performance, skills and knowledge of each employee. The Group also provided additional benefits to its employees, for instances subsidized accommodation and meals for those working in production facilities, accident and medical insurance, etc.

The Group will continue to provide regular trainings and competitive remuneration package to the employees in order to enhance their incentive and motivation to work.

## **PROSPECT AND OUTLOOK**

The financial year ended 31 March 2022 was characterized by inflation in production cost. As many other textiles mills, the cost of yarns, fuel cost, chemicals, dye stuffs and labour have increased sharply at an unexpected speed. Although the cost of certain raw materials may be stabilized in the coming months, the cost is unlikely to be reduced to the level of two years ago. Under the situation where many customers have tried to remain competitive by minimizing the increment of their cost, in particular, price spent on fabrics, it will take some time for the Group to adjust the price of fabrics for new orders to catch up with the cost increase.

In the last fiscal year, customers have increased their inventory level in response to supply chain disruptions. We believe the overall demand of high quality fabrics may decrease slightly in the coming year, due to inventory adjustment.

There is a trend of increasing interest rate for some key currencies. Although, the rising interest may affect our cost of borrowing, the Group has adopted flexible treasury management and will stabilize the cost of borrowing by working with financial institutes which offer most preferable terms.

The Group will cope with the challenges by putting more efforts on saving cost by enhancing efficiency, exploring more energy savings possibilities and reducing wastage as well as developing new products, so as to improve its profit margin in the coming year.

The Group has been working closely with our customers such as sports, casual, and intimate apparel, putting relentless effort on new product development for higher value added. For instance, environmental friendly and innovative functional fabrics are our areas of focus. In fact, seven products of the Panyu factory were accredited as “Public list of Green Design Products” by the Ministry of Industry and Information Technology of China in December 2021.

The direct impact of 2019 novel coronavirus disease (“COVID-19”) on the Group was minimal during the financial year. The Group has been actively following the polices and measures required under the laws and precaution measures are constantly applied. There was no suspension of production in the factories operated by the Group during the financial year under review. The Group will continue to adopt suitable measures to keep the risk of COVID-19 to minimal.

As a business partner of our customers who are committed to the carbon neutral by 2050, the Group constantly explores low-emission measures to reduce carbon emission and to mitigate global warming. We are tackling earnestly the issue of reducing water consumption through increasing the usage of recycled water. We have been using biodegradable fibers and other environmentally friendly materials in our products. The sludge produced from wastewater treatment is upcycled as biofuel and serves as an alternative source of energy. We will increase the use of other renewable energies to reduce emissions.

The Group’s plan of expanding production scale by establishing a new factory in Vietnam is underway and is expected to be completed by the end of 2023. With higher production capacity to cater for the needs of customers, the Group’s revenue generating capacity will surely be further enhanced.

## **SUPPLEMENTAL INFORMATION**

### **RESULTS AND DIVIDENDS**

The results of the Group for the 2022 Financial Year are set out in the consolidated statement of profit or loss on page 1 of this announcement.

An interim dividend of HK21 cents (2021: HK22 cents) per Share was paid on 22 December 2021 to the Shareholders. The Board has recommended the payment of a final dividend of HK14 cents (2021: HK22 cents) per Share. Subject to the approval of the Shareholders at the forthcoming AGM, the final dividend of HK14 cents will be paid on 1 September 2022 to the Shareholders whose names appear on the Register of Members of the Company on 22 August 2022.

The Board intends to maintain long term return for shareholders. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into consideration of various factors, such as the financial results of the operation, general financial condition of the Group, future funding requirements on capital, business operations and development, general market conditions, interest of shareholders as a whole, legal requirements, and other conditions that the Board deems relevant.

### **CLOSURE OF REGISTER OF MEMBERS**

The Register of the Members of the Company will be closed from 8 August 2022 to 11 August 2022 (both days inclusive) for the purpose of determining the identity of members who are entitled to attend and vote at the forthcoming AGM, during which period no transfer of shares of the Company will be registered. In order to qualify for attending the forthcoming AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 5 August 2022. The record date which determines the Shareholder's voting right is scheduled on 8 August 2022.

The Register of the Members of the Company will be closed from 18 August 2022 to 22 August 2022 (both days inclusive) for the purpose of determining the identity of members who are entitled to the final dividend for the year ended 31 March 2022, during which period no transfer of shares of the Company will be registered. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 17 August 2022.

## **CORPORATE GOVERNANCE PRACTICE OF THE COMPANY**

The Company complied with the applicable code provisions and certain recommended best practices set out in the CG Code contained in Appendix 14 to the Listing Rules where suitable to the Company so as to enhance the corporate governance standard of the Company throughout the 2022 Financial Year.

During the year, Mr. Wan Wai Loi (from 1 April 2021 to 30 September 2021) and Mr. Masaru Okutomi (since 1 October 2021) served the roles of Chairman and the Chief Executive Officer of the Company simultaneously, hence the Company did not comply with the code provision C.2.1 of the CG Code which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Although the roles of the chairman and the chief executive officer of the Company have not been segregated, powers and authorities have not been over-concentrated as all major decisions are made in consultation with Board members and senior management who possess the relevant knowledge and expertise, as well as appropriate Board committees. Hence, the current arrangements are subject to adequate checks and balances notwithstanding such deviation. While the dual role arrangement has provided strong and consistent leadership and facilitated the implementation of the Group's business strategies, the Company will nevertheless review the structure from time to time in light of the prevailing circumstance.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the standard of Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiries of all Directors, all Directors confirmed that they had complied with the required standard set out in such Code throughout the 2022 Financial Year.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the year ended 31 March 2022, neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## **AUDIT COMMITTEE**

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the CG Code contained in Appendix 14 to the Listing Rules. The members of the Audit Committee are Mr. Sze Kwok Wing, Nigel, Mr. Ng Ching Wah and Dr. Chan Yue Kwong, Michael (who are Independent Non-executive Directors). Mr. Sze Kwok Wing, Nigel, a Fellow of CPA Australia, is the chairman of the Audit Committee.

The Audit Committee had reviewed the financial statements of the Group for the 2022 Financial Year and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group and internal controls and financial reporting matters.

Pursuant to the recent development of CG Code contained in Appendix 14 to the Listing Rules, an amended and restated terms of reference for Audit Committee was effective from 1 January 2019.

## **REVIEW OF THE ANNUAL RESULTS ANNOUNCEMENT BY AUDITOR**

The figures in respect of the annual results announcement of the Group's consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the 2022 Financial Year have been agreed by the Group's auditor, Messrs. PricewaterhouseCoopers, to the amounts set in the Group's audited consolidated financial statements for the 2022 Financial Year. The work performed by Messrs. PricewaterhouseCoopers 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. PricewaterhouseCoopers on the annual results announcement.

## **PUBLICATION OF FINANCIAL INFORMATION**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.pacific-textiles.com](http://www.pacific-textiles.com)). The annual report of the Company for the 2022 Financial Year will be dispatched to the Company's shareholders and will be available on the above websites in due course.

## **AGM**

It is proposed that the AGM will be held on 11 August 2022. The Notice of AGM will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.pacific-textiles.com](http://www.pacific-textiles.com)) and sent to the shareholders of the Company in due course.

By order of the Board  
**Pacific Textiles Holdings Limited**  
**MASARU OKUTOMI**  
*Chairman & CEO*

Hong Kong, 23 June 2022

*As at the date of this announcement, the Executive Directors are Mr. Masaru OKUTOMI, Mr. WAN Wai Loi, Mr. TOU Kit Vai and Mr. Kyuichi FUKUMOTO; the Non-executive Director is Mr. LAU Yiu Tong; and the Independent Non-executive Directors are Dr. CHAN Yue Kwong, Michael, Mr. NG Ching Wah, and Mr. SZE Kwok Wing, Nigel.*

\* *For identification purposes only*

## GLOSSARY

In this announcement (other than Financial Information), unless the context otherwise requires, the following expressions shall have the following meanings:

“2022 Financial Year”	For the year ended 31 March 2022
“AGM”	Annual General Meeting of the Company
“Articles”	The Articles of Association of the Company, as amended from time to time
“Board”	The Board of Directors of the Company
“CG Code” or “Corporate Governance Code”	The Corporate Governance Code, stated in the Appendix 14 to the Main Board Listing Rules
“China” or “PRC”	The People’s Republic of China
“Company”	Pacific Textiles Holdings Limited, an exempted company incorporated in Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“Director(s)”	The Director(s) of the Company
“Group”	The Company and its subsidiaries
“HKD” or “\$” or “HK\$”	Hong Kong Dollar
“HKSAR” or “Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“INED(s)”	The Independent Non-executive Director(s) of the Company
“Listing Rules” or “Main Board Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“LKR” or “RS”	Sri Lankan Rupee
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Main Board Listing Rules
“Panyu Plant”	the factory run by Pacific (Panyu) Textiles Limited located in Nansha of Guangzhou City, the PRC
“RMB” or “CNY”	“Renminbi/Chinese Yuan”

“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shares”	Shares of the Company, with a nominal value of HK\$0.001 each
“Shareholder(s)”	The Company’s Shareholder(s)
“Share Option Scheme”	The Share Option Scheme adopted by the Company pursuant to the written resolutions of Shareholders passed on 27 April 2007, and expired on 17 May 2017
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Teejay Lanka PLC”	Teejay Lanka PLC (formerly known as Textured Jersey Lanka PLC and Textured Jersey Lanka (Private) Limited), a limited liability company incorporated under the laws of Sri Lanka and whose shares are listed on the Colombo Stock Exchange of Sri Lanka
“Toray”	Toray Industries, Inc., a company incorporated under the laws of Japan and whose shares are listed on the Tokyo Stock Exchange in Japan, a substantial Shareholder of the Company
“USD” or “US\$”	United States Dollar
“VND”	Vietnamese Dong