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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 2023

The Board of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2023 together with the comparative figures for the year ended 31 March 2022 as follows:

#### FINANCIAL INFORMATION

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2023

	Note	2023 HK\$'000	2022 HK\$'000
Revenue	2	5,018,735	6,066,310
Cost of sales	4	(4,528,748)	(5,289,992)
<b>Gross profit</b>		<b>489,987</b>	<b>776,318</b>
Other income and other gains – net	3	58,867	92,413
Reversal of impairment of trade receivables		228	366
Distribution and selling expenses	4	(41,285)	(73,476)
General and administrative expenses	4	(162,136)	(178,594)
<b>Operating profit</b>		<b>345,661</b>	<b>617,027</b>
Finance income	5	49,908	16,125
Finance costs	5	(50,189)	(21,975)
Share of profits of associates		18,425	34,890
Impairment of interests in an associate		(46,609)	–
<b>Profit before income tax</b>		<b>317,196</b>	<b>646,067</b>
Income tax expense	6	(43,547)	(66,832)
<b>Profit for the year</b>		<b>273,649</b>	<b>579,235</b>
Profit attributable to:			
Equity holders of the Company		268,572	572,677
Non-controlling interests		5,077	6,558
		<b>273,649</b>	<b>579,235</b>
Earnings per share attributable to equity holders of the Company for the year (expressed in HK\$ per share)			
– basic	7	0.19	0.41
– diluted	7	0.19	0.41

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Profit for the year</b>	<b>273,649</b>	579,235
Other comprehensive income:		
<i>Items that have been or may be reclassified to profit or loss:</i>		
Currency translation differences	<b>(199,690)</b>	116,398
<b>Total comprehensive income for the year</b>	<b>73,959</b>	695,633
Attributable to:		
Equity holders of the Company	<b>71,645</b>	687,438
Non-controlling interests	<b>2,314</b>	8,195
	<b>73,959</b>	695,633

## CONSOLIDATED BALANCE SHEET

As at 31 March 2023

	<i>Note</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,544,648</b>	1,443,149
Right-of-use assets		<b>178,805</b>	192,186
Interests in associates		<b>315,869</b>	359,368
Financial assets at fair value through other comprehensive income		<b>427</b>	427
Deferred income tax assets		<b>19,632</b>	19,240
Prepayments for property, plant and equipment		<b>236,728</b>	110,020
		<u><b>2,296,109</b></u>	<u>2,124,390</u>
<b>Current assets</b>			
Inventories		<b>964,821</b>	1,236,784
Trade and bills receivables	9	<b>827,693</b>	945,591
Deposits, prepayments and other receivables		<b>91,987</b>	46,895
Amounts due from associates		<b>938</b>	1,388
Financial assets at fair value through profit or loss		<b>276</b>	44,018
Short-term bank deposits		<b>160,383</b>	–
Cash and cash equivalents		<b>1,187,110</b>	1,545,128
		<u><b>3,233,208</b></u>	<u>3,819,804</u>
<b>Total assets</b>		<u><b>5,529,317</b></u>	<u>5,944,194</u>

## CONSOLIDATED BALANCE SHEET (Cont'd)

As at 31 March 2023

	<i>Note</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		1,408	1,411
Share premium		1,295,880	1,303,246
Reserves		1,777,576	2,114,468
		<u>3,074,864</u>	<u>3,419,125</u>
<b>Non-controlling interests</b>		<b>13,713</b>	<b>11,399</b>
		<u>3,088,577</u>	<u>3,430,524</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		126,576	126,218
Lease liabilities		7,502	7,974
Deferred income tax liabilities		73,377	79,845
Other non-current provision		42,320	37,957
		<u>249,775</u>	<u>251,994</u>
<b>Current liabilities</b>			
Borrowings		1,320,277	1,453,683
Trade and bills payables	10	629,088	592,691
Accruals and other payables		182,052	137,778
Lease liabilities		25,808	27,141
Financial liabilities at fair value through profit or loss		77	–
Current income tax liabilities		33,663	50,383
		<u>2,190,965</u>	<u>2,261,676</u>
<b>Total liabilities</b>		<b>2,440,740</b>	<b>2,513,670</b>
<b>Total equity and liabilities</b>		<b>5,529,317</b>	<b>5,944,194</b>

# 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, Ugland 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 2023.

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

### 1.1 Basis of preparation

The consolidated financial statements of the Group 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 financial statements 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 2022:

Annual Improvements Project HKFRS 3, HKAS 16 and HKAS 37	Annual Improvements to HKFRSs 2018–2020 (amendments) Narrow-scope amendments (amendments)
HKFRS 16 AG 5 (revised)	Covid-19-Related Rent Concessions beyond 2021 (amendments) Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

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 2022 and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (amendments)	1 April 2023
HKAS 8	Definition of Accounting Estimates (amendments)	1 April 2023
HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction (amendments)	1 April 2023
HKFRS 17	Insurance Contracts (new standard)	1 April 2023
HKFRS 17	Amendments to HKFRS 17	1 April 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information	1 April 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (amendments)	1 April 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants (amendments)	1 April 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)	1 April 2024
HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	1 April 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be confirmed by the HKICPA

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>2023</b>	2022
	<b>HK\$’000</b>	HK\$’000
Revenue – sales of goods (recognised at a point in time) <i>(Note (iii))</i>	<b>5,018,735</b>	6,066,310
Gross profit	<b>489,987</b>	776,318
Gross profit margin (%)	<b>9.8%</b>	12.8%
Operating expenses	<b>203,193</b>	251,704
Operating expenses/Revenue (%)	<b>4.0%</b>	4.1%
EBITDA <i>(Note (ii))</i>	<b>491,292</b>	838,727
EBITDA/Revenue (%)	<b>9.8%</b>	13.8%
Finance income	<b>49,908</b>	16,125
Finance costs	<b>50,189</b>	21,975
Depreciation and amortisation (included in cost of sales and operating expenses)	<b>173,815</b>	186,810
Share of profits of associates	<b>18,425</b>	34,890
Income tax expense	<b>43,547</b>	66,832
Profit attributable to equity holders of the Company	<b>268,572</b>	572,677
Net profit margin (%)	<b>5.4%</b>	9.4%
Total assets	<b>5,529,317</b>	5,944,194
Equity attributable to equity holders of the Company	<b>3,074,864</b>	3,419,125
Cash and bank balances	<b>1,347,493</b>	1,545,128
Borrowings	<b>1,446,853</b>	1,579,901
Inventories	<b>964,821</b>	1,236,784
Inventory turnover days <i>(Note (iv))</i>	<b>89</b>	85
Trade and bills receivables	<b>827,693</b>	945,591
Trade and bills receivables turnover days <i>(Note (v))</i>	<b>65</b>	54
Trade and bills payables	<b>629,088</b>	592,691
Trade and bills payables turnover days <i>(Note (iv))</i>	<b>49</b>	45

## 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 EBIDTA, EBITDA/Revenue, inventories turnover days, trade and bills receivables turnover days, and trade and bills payables turnover days have been presented in this announcement. 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 2023, the Group has recognized contract liabilities amounting to HK\$7,517,000 (2022: HK\$5,503,000) relating to contracts with customers.
- For the year ended 31 March 2023, the Group recognised revenue of HK\$5,503,000 (2022: HK\$10,380,000) 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 costs 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
EBITDA	491,292	838,727
Depreciation and amortisation	(173,815)	(186,810)
Finance income	49,908	16,125
Finance costs	(50,189)	(21,975)
Profit before income tax	<u>317,196</u>	<u>646,067</u>

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Vietnam	2,326,189	2,584,158
PRC	1,214,692	1,351,264
Bangladesh	332,370	331,395
Hong Kong	203,570	296,683
Indonesia	195,452	209,366
Sri Lanka	194,871	278,263
Cambodia	156,759	217,262
America	92,656	238,466
Jordan	90,264	88,840
Africa	76,020	85,532
Haiti	64,940	284,447
India	41,007	53,856
Other Asian countries	29,567	46,448
Others non-Asian countries	378	330
	<u>5,018,735</u>	<u>6,066,310</u>

## 2 SEGMENT INFORMATION (Cont'd)

For the year ended 31 March 2023, customer A and customer B accounted for approximately 47% (2022: 36%) and 19% (2022: 16%) of the Group's revenue, respectively. All other customers individually accounted for less than 5% of the Group's revenue for the year ended 31 March 2023 (2022: same).

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
PRC	1,140,670	1,259,264
Vietnam	811,215	476,242
Hong Kong	8,723	10,276
	<u>1,960,608</u>	<u>1,745,782</u>

## 3 OTHER INCOME AND OTHER GAINS – NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other income:		
Sale of scrap materials	31,116	40,463
Utilities income	41,589	35,964
Rental income	3,247	3,196
Government grants	7,067	2,754
Handling income	240	1,158
Sub-contracting income	280	948
Sundry income ( <i>Note (i)</i> )	10,687	18,946
	<u>94,226</u>	<u>103,429</u>
Other gains – net:		
Derivative financial instruments		
– foreign currency forward contracts	199	19,811
Loss on disposal of property, plant and equipment	(3,246)	(565)
Net foreign exchange losses	(32,312)	(30,262)
	<u>(35,359)</u>	<u>(11,016)</u>
	<u>58,867</u>	<u>92,413</u>

*Note:*

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

#### 4 EXPENSES BY NATURE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of inventories	3,922,144	4,561,256
Depreciation of property, plant and equipment	167,120	180,461
Depreciation of right-of-use assets	6,695	6,349
Employee benefits expense (including directors' emoluments)	575,059	713,658
Freight charges	27,025	53,955
Lease payments for short-term and low value leases	1,294	1,178
Auditor's remuneration		
– Audit services	3,308	2,937
– Non-audit services	468	303
Others	29,056	21,965
	<u>4,732,169</u>	<u>5,542,062</u>
Total cost of sales, distribution and selling expenses and general and administrative expenses	<u><u>4,732,169</u></u>	<u><u>5,542,062</u></u>

#### 5 FINANCE INCOME AND COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Finance income:		
– Bank interest income	21,591	4,876
– Net foreign exchange gain on cash and cash equivalents	28,317	11,249
	<u>49,908</u>	<u>16,125</u>
Finance costs:		
– Interest expense on bank loans	(47,630)	(11,382)
– Net foreign exchange loss on bank loans	(1,665)	(7,928)
– Interest expenses arising from lease liabilities	(1,626)	(1,565)
– Imputed interest of provision for reinstatement cost	(1,235)	(1,100)
	<u>(52,156)</u>	<u>(21,975)</u>
Less: amount capitalised	1,967	–
	<u>(50,189)</u>	<u>(21,975)</u>
Net finance cost	<u><u>(281)</u></u>	<u><u>(5,850)</u></u>

#### 6 INCOME TAX EXPENSE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	14,997	20,881
– Overseas income tax	21,566	34,093
Overprovision in prior years	(2,826)	–
Deferred tax	9,810	11,858
	<u>43,547</u>	<u>66,832</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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u>268,572</u>	<u>572,677</u>
Weighted average number of shares in issue ( <i>thousands</i> )	<u>1,409,868</u>	<u>1,411,208</u>
Basic earnings per share ( <i>HK\$ per share</i> )	<u>0.19</u>	<u>0.41</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 2023 (2022: same).

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 2023 and 2022 is the same as basic earnings per share of the respective year.

## 8 DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interim dividend paid of HK\$15 cents (2022: HK\$21 cents) ( <i>Note (i)</i> )	211,278	296,353
Proposed final dividend of HK\$4 cents (2022: HK\$14 cents) ( <i>Note (ii)</i> )	<u>56,341</u>	<u>197,569</u>
	<u>267,619</u>	<u>493,922</u>

*Notes:*

- (i) On 24 November 2022, the Company's Board of Directors declared an interim dividend of HK\$15 cents per share (2022: HK\$21 cents per share) for the six-month period ended 30 September 2022. The amount was paid in December 2022.
- (ii) On 23 June 2023, the Company's Board of Directors proposed a final dividend of HK\$4 cents (2022: HK\$14 cents) per share for the year ended 31 March 2023. This proposed dividend has not been reflected as dividend payable in the consolidated financial statements as at 31 March 2023.

## 9 TRADE AND BILLS RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	793,277	908,056
Bills receivables	<u>35,724</u>	<u>39,140</u>
	829,001	947,196
Less: Provision for impairment of trade and bills receivables	<u>(1,308)</u>	<u>(1,605)</u>
	<u>827,693</u>	<u>945,591</u>

## 9 TRADE AND BILLS RECEIVABLES (Cont'd)

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 ageing analysis of trade and bills receivables based on invoice date is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 60 days	779,714	700,960
61 – 120 days	47,546	242,233
121 days – 1 year	1,741	4,003
	<u>829,001</u>	<u>947,196</u>

## 10 TRADE AND BILLS PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	625,803	575,028
Bills payables	3,285	17,663
	<u>629,088</u>	<u>592,691</u>

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

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 60 days	623,186	591,782
61 – 120 days	595	–
121 days – 1 year	5,307	909
	<u>629,088</u>	<u>592,691</u>

## 11 CAPITAL COMMITMENTS

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contracted but not provided for:		
Property, plant and equipment	<u>597,487</u>	<u>264,265</u>

At 31 March 2023, the Group did not have any significant share of capital commitments of its associates (2022: 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\$5,018.7 million (2022: approximately HK\$6,066.3 million) representing a decrease of 17.3% as compared with the year ended 31 March 2022, as a result of the combined effect of a decrease of 24.5% in sales volume and an increase of 9.6% in average sales price.

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 the this announcement.

#### **Cost of sales**

Cost of sales of the Group was approximately HK\$4,528.7 million (2022: approximately HK\$5,290.0 million) representing a decrease of 14.4% as compared with the year ended 31 March 2022 which is consistent with decrease in revenue.

#### **Profit**

During the year under review, profit attributable to equity holders of the Company was approximately HK\$268.6 million (2022: approximately HK\$572.7 million) representing a decrease of 53.1% as compared with last year because of (i) the drop in sales revenue; (ii) higher fixed cost absorption arising from lower utilization of production facilities in Panyu Plant; and (iii) an impairment loss arising from the Company's investment in Teejay Lanka PLC. If the impairment loss of approximately HK\$46.6 million is excluded, it represents a decrease of approximately 45.0% in profit.

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

During the year under review, selling and distribution expenses including impairment loss on trade receivables decreased to HK\$41.1 million (2022: HK\$73.1 million).

#### **Administration expenses**

The administration expenses slightly decreased to HK\$162.1 million (2022: HK\$178.6 million).

#### **Finance costs**

Finance costs increased by approximately 128.4% to HK\$50.2 million (2022: HK\$22.0 million) mainly due to increase in interest expenses on bank loans.

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

Trade receivables turnover days was 65 days while trade payables turnover days was 49 days.

## Income tax

The Group recorded an income tax expense of approximately HK\$43.5 million during the year under review (2022: HK\$66.8 million). The average effective tax rate of the Group during the year under review was approximately 13.7% which was higher than the year ended 31 March 2022 (2022: 10.3%). The increase in effective tax rate was mainly attributed to increase in non-deductible exchange loss arising from non-trade balance in Hong Kong companies compared with the year ended 31 March 2022.

## Assets

As at 31 March 2023, the total assets of the Group were HK\$5,529.3 million (2022: HK\$5,944.2 million) representing a decrease of approximately 7.0%. The total assets comprised non-current assets of HK\$2,296.1 million (2022: HK\$2,124.4 million) and current assets of HK\$3,233.2 million (2022: HK\$3,819.8 million).

## Key financial ratios are set out below:

	For the year ended 31 March	
	2023	2022
Gross Profit Margin <sup>(1)</sup>	9.8%	12.8%
Return on Equity <sup>(2)</sup>	8.9%	16.9%
Interest Coverage Ratio <sup>(3)</sup>	7.7	57.8

### 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 2023, the Group was in a net debt position (cash and bank balances and time deposits less total borrowings) of HK\$99.4 million (2022: net debt position of HK\$34.8 million). The increase in a net debt position was due to increase in prepayment for property, plant and equipment as the construction project of second Vietnam production site is on schedule.

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 2023, the Group had total cash and bank balances of HK\$1,347.5 million (2022: HK\$1,545.1 million) comprising of HK\$44.5 million, the equivalent of HK\$907.9 million denominated in US\$, the equivalent of HK\$383.9 million denominated in RMB, the equivalent of HK\$2.9 million denominated in VND and the equivalent of HK\$8.3 million denominated in other currencies. The cash and bank balances and time deposits were to finance the Group's working capital and capital expenditure plans.

The Group had bank loans of HK\$1,320.3 million (2022: HK\$1,453.7 million) and shareholder's loan of HK\$126.6 million (2022: HK\$126.2 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 (2022: Nil).

For the year ended 31 March 2023, the Group's total assets amounted to HK\$5,529.3 million (2022: HK\$5,944.2 million) representing a decrease of 7.0%. Non-current assets and current assets were HK\$2,296.1 million and HK\$3,233.2 million respectively. The above assets were financed by current liabilities of HK\$2,191.0 million, non-current liabilities of HK\$249.8 million and equity attributable to Shareholders of HK\$3,074.9 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 increased by 198.3% to HK\$364.3 million (2022: HK\$122.1 million) which was mainly used for the construction project of second Vietnam factory and to purchase machinery and to finance the environmental protection projects of Panyu factory and existing 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>2023</b>	2022
Current Ratio <sup>(4)</sup>	<b>1.5</b>	1.7
Quick Ratio <sup>(5)</sup>	<b>1.0</b>	1.1
Gearing Ratio <sup>(6)</sup>	<b>47.0%</b>	46.6%
Debt to Equity Ratio <sup>(7)</sup>	<b>79.0%</b>	73.3%

#### 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 2022 and 31 March 2023 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 2023.

## **Contingent Liabilities**

As at 31 March 2023, the Group had no material contingent liabilities (2022: Nil).

## **Events Subsequent to the Period**

There was no significant event undertaken by the Company or by the Group after 31 March 2023 and up to the date of this announcement.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 March 2023, the Group had 4,484 full-time employees (2022: 4,697). 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 instance, 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 employees in order to enhance their incentive and motivation to work.

## **PROSPECT AND OUTLOOK**

The financial year ended 31 March 2023 was a year of stagnant demand and fierce competition in the industry. The cost level remained high and the increased production cost could not be fully reflected in the sales price.

Customers' policy for purchasing have been tightened in order to minimize inventory level. Furthermore, many end buyers have accelerated the enforcement of the new strategy on supply chain management, which was accompanied by certain readjustment on fabric and garment procurement pattern. More portion of fabrics and garments have been allocated to developing countries in Southeast Asia, which resulted in the drop in orders for Panyu factory, while the rise in orders have been recorded in the Group's Vietnam factory.

Under the circumstances, the management has put vigorous efforts in expanding the domestic customer base for Panyu factory, in particular, on sportswear and high quality synthetic fabrics. Leveraging on ample experience and strong technological know-how, apart from fashion and apparels market, the Group has been developing non-clothing applications such as bedding and mattress, fabrics for car interior etc. As with all new products, it may take time to fully penetrate these markets, but the Group considers the potential for growth of these areas should not be underestimated.

With the completion of the Group's new factory in Vietnam by the end of the financial year 2023/24, the Group's capacity in fulfilling customers' requirement for order allocation is expected to grow substantially. With gradual rebound of sales volume, the management expects that the Group's performance will turnaround in 2024.

Facing the rapid change of economic and business environment, the management has constantly streamlined production process to boost efficiency and adopted stringent cost control and resources allocation.

The geopolitics, inflation, rise of interest cost, customers' change of sourcing policies have created a lot of unknowns for the future, and may lead to further challenges in short term. As well-established textiles mill, Pacific Textiles will work towards sharpening competitiveness by:

- (i) Streamlining production process
- (ii) Implementing stringent cost control and management, and resources allocation
- (iii) Enhancing creativity and innovativeness in product development
- (iv) Expanding customer base and diversifying customer portfolio
- (v) Penetrating new markets
- (vi) Adopting flexible treasury management to stabilize financial cost

At the same time, Pacific Textiles has worked together with our customers on their carbon-emission target. To support 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. Pacific Textiles is proud of consistently achieving high score in the HIGG Facility Environmental Module (part of HIGG Index developed by the Sustainable Apparel Coalition in order to score development within sustainability and carbon footprint), reflecting the Group's persistent efforts in reducing global environmental impact.

The management believes in the future. With the economic recovery of mainland China, the domestic consumption and demand for fabric is expected to rise again. In addition, the establishment of a new factory in Vietnam is a milestone of the Group. With the expansion of production capacity in Vietnam, the management looks forward to placing the Group on a medium-term growth trajectory.

## **SUPPLEMENTAL INFORMATION**

### **RESULTS AND DIVIDENDS**

The results of the Group for the 2023 Financial Year are set out in the consolidated statement of profit or loss on page 1 of this announcement.

An interim dividend of HK15 cents (2022: HK21 cents) per Share was paid on 21 December 2022 to the Shareholders. The Board has recommended the payment of a final dividend of HK4 cents (2022: HK14 cents) per Share. Subject to the approval of the Shareholders at the forthcoming AGM, the final dividend of HK4 cents will be paid on 31 August 2023 to the Shareholders whose names appear on the Register of Members of the Company on 21 August 2023.

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 7 August 2023 to 10 August 2023 (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 4 August 2023. The record date which determines the Shareholder's voting right is scheduled on 7 August 2023.

The Register of the Members of the Company will be closed from 17 August 2023 to 21 August 2023 (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 2023, 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 16 August 2023.

## **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 2023 Financial Year.

During the year, Mr. Masaru Okutomi 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 2023 Financial Year.

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

During the year ended 31 March 2023, the Company repurchased a total of 2,687,000 Shares on the Stock Exchange at an aggregate consideration of (excluding expenses) HK\$7,339,040. Such repurchased shares were subsequently cancelled on 8 November 2022. The issued share capital of the Company was reduced by the par value thereof.

Details of the repurchases of shares were as follows:

<b>Month of repurchase</b>	<b>Number of Shares repurchased</b>	<b>Price per Share</b>		<b>Aggregate consideration (excluding expenses) HK\$</b>
		<b>Highest HK\$</b>	<b>Lowest HK\$</b>	
October 2022	2,687,000	2.86	2.45	7,339,040

The repurchase of shares was made by the Directors, pursuant to the general mandate granted by the Shareholders at the annual general meeting held on 11 August 2022 with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share.

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2023 and up to the date of announcement.

#### **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, Dr. Chan Yue Kwong, Michael and Ms. Ling Chi Wo Teresa (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 2023 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 Group's consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the 2023 Financial Year as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set in the Group's audited consolidated financial statements for the 2023 Financial Year. The work performed by 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 opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary 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 2023 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 10 August 2023. 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 2023

*As at the date of this announcement, the Executive Directors are Mr. Masaru OKUTOMI, Mr. TOU Kit Vai and Mr. Kyuichi FUKUMOTO; the Independent Non-executive Directors are Dr. CHAN Yue Kwong, Michael, Mr. NG Ching Wah, Mr. SZE Kwok Wing, Nigel and Ms. LING Chi Wo Teresa.*

\* *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:

“2023 Financial Year”	For the year ended 31 March 2023
“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)
“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
“Shareholder(s)”	The Company’s Shareholder(s)
“Shares”	Shares of the Company, with a nominal value of HK\$0.001 each
“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