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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

The Board of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 September 2023 together with the comparative figures for the six months ended 30 September 2022.

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2023

		Six months ended	
		30 September	
		2023	2022
		HK\$'000	HK\$'000
	<i>Note</i>	(Unaudited)	(Unaudited)
Revenue	3	2,294,749	2,761,191
Cost of sales	5	<u>(2,080,804)</u>	<u>(2,431,952)</u>
Gross profit		213,945	329,239
Other income and other gain/(losses) – net	4	52,960	40,126
Provision for impairment loss on trade receivables		(632)	(235)
Distribution and selling expenses	5	(18,323)	(21,286)
General and administrative expenses	5	<u>(82,826)</u>	<u>(90,261)</u>
Operating profit		165,124	257,583
Finance income		29,065	33,711
Finance costs		(34,581)	(20,492)
Share of profits of associates		1,620	16,598
Impairment of interests in an associate		<u>(10,000)</u>	<u>–</u>
Profit before income tax		151,228	287,400
Income tax expense	6	<u>(22,980)</u>	<u>(38,499)</u>
Profit for the period		<u>128,248</u>	<u>248,901</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (cont'd)

For the six months ended 30 September 2023

		Six months ended 30 September	
		2023	2022
		HK\$'000	HK\$'000
	Note	(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Equity holders of the Company		124,463	248,179
Non-controlling interests		3,785	722
		<u>128,248</u>	<u>248,901</u>
Earnings per share for profit attributable to equity holders of the Company during the period			
– basic (HK\$)	7	<u>0.09</u>	<u>0.18</u>
– diluted (HK\$)	7	<u>0.09</u>	<u>0.18</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2023

		Six months ended 30 September	
		2023	2022
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Profit for the period		128,248	248,901
Other comprehensive loss:			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		<u>(146,956)</u>	<u>(293,019)</u>
Total comprehensive loss for the period		<u>(18,708)</u>	<u>(44,118)</u>
Total comprehensive loss for the period attributable to:			
Equity holders of the Company		(17,592)	(40,053)
Non-controlling interests		<u>(1,116)</u>	<u>(4,065)</u>
		<u>(18,708)</u>	<u>(44,118)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2023

	30 September 2023 <i>HK\$'000</i> (Unaudited)	31 March 2023 <i>HK\$'000</i> (Audited)
	<i>Note</i>	
ASSETS		
Non-current assets		
Property, plant and equipment	2,012,336	1,544,648
Right-of-use assets	172,645	178,805
Interests in associates	9 297,304	315,869
Financial assets at fair value through other comprehensive income	427	427
Deferred income tax assets	19,632	19,632
Prepayment for property, plant and equipment	151,494	236,728
	<u>2,653,838</u>	<u>2,296,109</u>
Current assets		
Inventories	990,101	964,821
Trade and bills receivables	10 865,465	827,693
Deposits, prepayments and other receivables	49,044	91,987
Amounts due from associates	1,215	938
Financial assets at fair value through profit or loss	–	276
Short-term bank deposits	6,746	160,383
Cash and cash equivalents	808,782	1,187,110
	<u>2,721,353</u>	<u>3,233,208</u>
Total assets	<u><u>5,375,191</u></u>	<u><u>5,529,317</u></u>
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	1,403	1,408
Share premium	1,285,391	1,295,880
Reserves	1,703,864	1,777,576
	<u>2,990,658</u>	<u>3,074,864</u>
Non-controlling interests	<u>12,597</u>	<u>13,713</u>
Total equity	<u><u>3,003,255</u></u>	<u><u>3,088,577</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET (cont'd)*As at 30 September 2023*

		30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		126,167	126,576
Lease liabilities		–	7,502
Deferred income tax liabilities		66,551	73,377
Other non-current payable		29,031	42,320
		<u>221,749</u>	<u>249,775</u>
Current liabilities			
Borrowings		1,154,827	1,320,277
Trade and bills payables	11	730,759	629,088
Accruals and other payables		196,603	182,052
Lease liabilities		8,362	25,808
Financial liabilities at fair value through profit or loss		63	77
Current income tax liabilities		59,573	33,663
		<u>2,150,187</u>	<u>2,190,965</u>
Total liabilities		<u>2,371,936</u>	<u>2,440,740</u>
Total equity and liabilities		<u>5,375,191</u>	<u>5,529,317</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 BASIS OF PREPARATION

This interim condensed consolidated financial information as at and for the six-month period ended 30 September 2023 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”. It should be read in conjunction with the annual financial statements for the year ended 31 March 2023, which has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

2 ACCOUNTING POLICIES

The accounting policies applied to this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 March 2023 (the “Annual Financial Statement”) as described in those annual financial statements except that income tax is accrued using the tax rate that would be applicable to the expected total annual earnings and the adoption of new and amended standards as set out below.

- (a) The following amendments to standards are mandatory for the first time for the financial period beginning 1 April 2023 and currently relevant to the Group:

HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (amendments)
HKAS 8	Definition of Accounting Estimates (amendments)
HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction (amendments)
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules (amendments)
HKFRS 17	Insurance Contracts and the related amendments

The adoption of the above amendments to standards does not have any significant impact to the results and financial position of the Group.

- (b) The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial period beginning 1 April 2023 and have not been early adopted by the Group:

		Effective for annual periods on or after
Amendments to HKAS 1	Classification of Liabilities as current or non-current	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(IFRIC)-Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 April 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements (amendments)	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)	A date to be determined by the IASB

Management is in the process of assessing the financial impact of the adoption of the above new standards, amendments to standards and interpretation. The Group will adopt the new standards, amendments to standards and interpretation when they become effective.

3 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company collectively, who determine the operating segments of the Group and review the Group's internal reporting in order to assess performance and allocate resources.

All of the Group's business operations relate to the manufacturing and trading of textile products with similar economic characteristics. Accordingly, 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, and associates in the PRC and Sri Lanka. The executive directors review resources allocation and assess performance of the Group on a regular basis based on the following financial information:

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	2,294,749	2,761,191
Gross profit	213,945	329,239
Gross profit margin (%)	9.3%	11.9%
EBITDA (<i>Note ii</i>)	254,987	370,026
EBITDA margin (%)	11.1%	13.4%
Operating expenses	101,781	111,782
Operating expenses/Revenue (%)	4.4%	4.1%
Profit attributable to equity holders of the Company	124,463	248,179
Net profit margin (%)	5.4%	9%
Total assets	5,375,191	6,075,416
Equity attributable to equity holders of the Company	2,990,658	3,181,797
Cash and bank balances	815,528	1,742,378
Borrowings	1,280,994	1,717,282
Inventories	990,101	1,168,492
Inventories turnover days (<i>Note iii</i>)	86	90
Trade and bills receivables	865,465	996,035
Trade and bills receivables turnover days (<i>Note iv</i>)	67	63
Trade and bills payables	730,759	852,874
Trade and bills payables turnover days (<i>Note iii</i>)	60	54

3 SEGMENT INFORMATION (cont'd)

Notes:

- (i) To supplement the condensed consolidated financial information of the Group prepared in accordance with HKAS 34, certain financial measures, including gross profit margin, EBITDA margin, net profit margin, 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 financial measures provide investors with clearer view on the Group's financial information, and with useful supplementary information to assess the performance of the Group's strategic operations. Nevertheless, the use of these financial measures has limitations as an analytical tool. These financial measures should be considered in addition to, not as a substitute for, analysis of the Company's condensed consolidated financial information prepared in accordance with HKAS 34.
- (ii) EBITDA is defined as profit for the period before finance income, finance costs, income tax expense, depreciation and amortisation.
- (iii) The turnover days are calculated by the simple average of the beginning of the period and the end of the period balances over costs of sales.
- (iv) The turnover days are calculated by the simple average of the beginning of the period and the end of the period balances over revenue.

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

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
EBITDA	254,987	370,026
Depreciation	(98,243)	(95,845)
Finance income	29,065	33,711
Finance costs	(34,581)	(20,492)
Profit before income tax	<u>151,228</u>	<u>287,400</u>

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

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
South East Asia	1,255,195	1,508,351
PRC	607,578	659,558
Bangladesh	141,583	180,343
Sri Lanka	81,153	130,575
Hong Kong	86,440	105,935
Others	122,800	176,429
	<u>2,294,749</u>	<u>2,761,191</u>

3 SEGMENT INFORMATION (cont'd)

For the period ended 30 September 2023, the top two customers accounted for approximately 47% (2022: 46%) and 19% (2022: 18%) of the Group's revenue, respectively. No other customer individually accounted for more than 10% of the Group's revenue for the periods ended 30 September 2023 and 2022.

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

	As at	
	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Vietnam	1,246,914	811,215
PRC	1,064,064	1,140,670
Hong Kong	25,924	8,723
	<u>2,336,902</u>	<u>1,960,608</u>

4 OTHER INCOME AND OTHER GAIN/(LOSSES) – NET

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Other income:		
Utilities income	22,791	21,183
Sales of scrap materials	13,765	18,126
Miscellaneous income	3,922	10,210
Sub-contracting income	1,234	2,493
Rental income	1,364	1,550
Handling income	88	214
	<u>43,164</u>	<u>53,776</u>
Other gain/(losses) – net:		
(Losses)/gain on derivative financial instruments		
– forward foreign exchange contracts	(63)	617
Net foreign exchange gain/(losses)	12,767	(12,287)
Loss on disposal of property, plant and equipment	(2,908)	(1,980)
	<u>9,796</u>	<u>(13,650)</u>
	<u>52,960</u>	<u>40,126</u>

5 EXPENSES BY NATURE

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	95,365	92,720
Depreciation of right-of-use assets	2,878	3,125
Cost of raw materials and consumables used	1,824,061	2,152,584
Employee benefits expenses (including directors' emoluments)	218,247	248,666
(Reversal of)/provision for slow-moving and obsolete inventories	(12,861)	6,667
Other expenses	54,263	39,737
	<u>2,181,953</u>	<u>2,543,499</u>
Total cost of sales, distribution and selling expenses and general and administrative expenses	<u>2,181,953</u>	<u>2,543,499</u>

6 INCOME TAX EXPENSE

The amount of income tax expense in the condensed consolidated statement of profit or loss represents:

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	9,199	14,379
– Overseas corporate income tax	10,298	30,699
Deferred income tax	3,483	(6,579)
	<u>22,980</u>	<u>38,499</u>

7 EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company (HK\$'000)	<u>124,463</u>	<u>248,179</u>
Weighted average number of shares in issue (thousands)	<u>1,405,208</u>	<u>1,411,208</u>
Basic earnings per share (HK\$ per share)	<u>0.09</u>	<u>0.18</u>

7 EARNINGS PER SHARE (cont'd)

(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 periods ended 30 September 2023 and 2022.

Since the average market price of the Company's shares during the period 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 periods ended 30 September 2023 and 2022 is the same as basic earnings per share of the respective period.

8 DIVIDENDS

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interim dividend of HK\$7 cents per share (2022: HK\$15 cents per share)	98,211	211,278

On 23 November 2023, the Board declared an interim dividend of HK\$7 cents per share (2022: HK\$15 cents per share) for the six-month period ended 30 September 2023. This interim dividend amounting to HK\$98,211,000 (2022: HK\$211,278,000) has not been recognised as a liability in this interim financial information.

9 INTERESTS IN ASSOCIATES AND BALANCES WITH ASSOCIATES

Movement in interests in associates is as follows:

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Balance at 1 April	315,869	359,368
Share of profit for the period	1,620	16,598
Dividends received from associates	(10,183)	(16,497)
Currency translation differences	(2)	1,182
Impairment of interest in an associate	(10,000)	–
Balance at 30 September	297,304	360,651

As at 30 September 2023, the recoverable amount of the interests in PT Sri Lanka was approximately HK\$260,328,000, which is lower than its then carrying amount of approximately HK\$270,328,000. Consequently, an impairment loss of approximately HK\$10,000,000 was recognised in the condensed consolidated statement of profit or loss.

10 TRADE AND BILLS RECEIVABLES

	As at	
	30 September 2023 <i>HK\$'000</i> (Unaudited)	31 March 2023 <i>HK\$'000</i> (Audited)
Trade receivables	853,443	793,277
Bills receivables	<u>13,921</u>	<u>35,724</u>
	867,364	829,001
Less: provision for impairment of trade and bills receivables	<u>(1,899)</u>	<u>(1,308)</u>
	<u>865,465</u>	<u>827,693</u>

Majority of the Group's sales are made with credit terms of 30 to 120 days. Trade and bills receivables, based on invoice date, were aged as follows:

	As at	
	30 September 2023 <i>HK\$'000</i> (Unaudited)	31 March 2023 <i>HK\$'000</i> (Audited)
0–60 days	797,969	779,714
61–120 days	64,639	47,546
121 days–1 year	<u>4,756</u>	<u>1,741</u>
	867,364	829,001

As at 30 September 2023, the top two customers accounted for approximately 42% (As at 31 March 2023: 39%) and 27% (As at 31 March 2023: 25%), respectively, of the Group's trade and bills receivables. All other customers individually accounted for less than 8% of the Group's trade and bills receivables as at 30 September 2023 and 31 March 2023.

The fair value of trade and bills receivables approximate the net book carrying amounts.

Movements in the Group's provision for impairment of trade receivables are as follows:

	Six months ended 30 September	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
At 1 April	1,308	1,605
Currency translation differences	(41)	(111)
Provision for impairment of trade and bills receivables	<u>632</u>	<u>235</u>
At 30 September	<u>1,899</u>	<u>1,729</u>

11 TRADE AND BILLS PAYABLES

	As at	
	30 September 2023 <i>HK\$'000</i> (Unaudited)	31 March 2023 <i>HK\$'000</i> (Audited)
Trade payables	726,877	625,803
Bills payables	<u>3,882</u>	<u>3,285</u>
	<u>730,759</u>	<u>629,088</u>

Credit periods granted by the creditors generally range from 30 to 90 days. Trade and bills payables, based on invoice dates, were aged as follows:

	As at	
	30 September 2023 <i>HK\$'000</i> (Unaudited)	31 March 2023 <i>HK\$'000</i> (Audited)
0–60 days	710,513	623,186
61–120 days	7,761	595
121 days–1 year	<u>12,485</u>	<u>5,307</u>
	<u>730,759</u>	<u>629,088</u>

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

12 CAPITAL COMMITMENTS

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

	As at	
	30 September 2023 <i>HK\$'000</i> (Unaudited)	31 March 2023 <i>HK\$'000</i> (Audited)
Contracted but not provided for:		
Property, plant and equipment	<u>462,636</u>	<u>597,487</u>

As at 30 September 2023, the Group did not have any significant share of capital commitments of its associates (As at 31 March 2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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 period under review, revenue of the Group was approximately HK\$2,294.7 million (2022: HK\$2,761.2 million) representing a decrease of approximately 16.9% as compared with the period ended 30 September 2022, as a result of the combined effect of a decrease of 7.4% in sales volume and a decrease of 10.3% 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 3 to the financial information of this announcement.

Other incomes comprising, among others, sales of scrap materials and utilities income are set out in note 4 to the financial information of this announcement.

Cost of sales

Cost of sales of the Group was HK\$2,080.8 million (2022: HK\$2,432.0 million) representing a decrease of approximately 14.4% as compared with the period ended 30 September 2022 which is consistent with decrease in revenue.

Profit

During the period under review, the profit attributable to equity holders of the Company was HK\$124.5 million (2022: HK\$248.2 million) representing a decrease of approximately 49.8% as compared with the period ended 30 September 2022.

The downturn was mainly due to various factors, including but not limited to:

- (i) the decrease in sales revenue by approximately 16.9% compared with the period ended 30 September 2022;
- (ii) higher absorption of the fixed cost per unit arising from lower utilization of production facilities in Panyu Plant, which in turn result to the increase in unit costs; and
- (iii) an impairment loss of approximately HK\$10.0 million arising from the Company's investment in Teejay Lanka PLC. If the impairment loss of approximately HK\$10.0 million is excluded, it represents a decrease of approximately 45.8% in profit attributable to equity holders of the Company. Details of the impairment loss are set out in note 9 to the financial information of this announcement.

Selling and distribution expenses

During the period under review, selling and distribution expenses including impairment loss on trade receivables slightly decreased to HK\$19.0 million (2022: HK\$21.5 million).

Administration expenses

During the period under review, the administration expenses slightly decreased to HK\$82.8 million (2022: HK\$90.3 million).

Finance costs

During the period under review, finance costs increased by approximately 68.8% to HK\$34.6 million (2022: HK\$20.5 million) mainly due to increase in interest expenses on bank loans.

Trade receivables and trade payables turnover days

Trade receivables turnover days was 67 days while trade payables turnover days was 60 days.

Income tax

The Group recorded an income tax expense of approximately HK\$23.0 million during the period under review (2022: HK\$38.5 million). The average effective tax rate of the Group during the period under review was approximately 15.2% which was higher than the period ended 30 September 2022 (2022: 13.4%). The increase in effective tax rate was mainly attributed to the decrease in profit before income tax resulted from (i) the decrease in share of profits of associates; and (ii) an impairment loss arising from the Company's investment in Teejay Lanka PLC compared with the period ended 30 September 2022.

Assets

As at 30 September 2023, the total assets of the Group were HK\$5,375.2 million (31 March 2023: HK\$5,529.3 million) representing a decrease of approximately 2.8%. The total assets comprised non-current assets of HK\$2,653.8 million (31 March 2023: HK\$2,296.1 million) and current assets of HK\$2,721.4 million (31 March 2023: HK\$3,233.2 million). Such decrease was a result of decrease in prepayments, and cash and bank balances.

Key financial ratios are set out below:

	For the six months ended	
	30 September	
	2023	2022
Gross Profit Margin ⁽¹⁾	9.3%	11.9%
Return on Equity ⁽²⁾	4.3%	7.8%
Interest Coverage Ratio ⁽³⁾	5.5	19.5

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 30 September 2023, the Group was in a net debt position (cash and bank balances and time deposits less total borrowings) of HK\$465.5 million (31 March 2023: net debt position of HK\$99.4 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 30 September 2023, the Group had total cash and bank balances and time deposits of HK\$815.5 million (31 March 2023: HK\$1,347.5 million) comprising of HK\$32.5 million, the equivalent of HK\$699.6 million denominated in US\$, the equivalent of HK\$77.1 million denominated in RMB, the equivalent of HK\$2.3 million denominated in VND and the equivalent of HK\$4.0 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\$1,154.8 million (31 March 2023: HK\$1,320.3 million) and shareholder's loan of HK\$126.2 million (31 March 2023: HK\$126.6 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 (31 March 2023: Nil).

For the period ended 30 September 2023, the Group's total assets amounted to HK\$5,375.2 million (31 March 2023: HK\$5,529.3 million) representing a decrease of approximately 2.8%. Non-current assets and current assets were HK\$2,653.8 million and HK\$2,721.4 million respectively. The above assets were financed by current liabilities of HK\$2,150.2 million, non-current liabilities of HK\$221.7 million and equity attributable to Shareholders of HK\$2,990.7 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 period under review, total capital expenditure increased by approximately 667.4% to HK\$624.9 million (2022: HK\$81.4 million) which was mainly used for the construction project and purchase of machinery for second Vietnam factory in the amount of approximately HK\$564.1 million.

Details of the capital commitments are set out in note 12 to the financial information of this announcement.

Key liquidity or leverage ratios:

	As at 30 September 2023	As at 31 March 2023
Current Ratio ⁽⁴⁾	1.3	1.5
Quick Ratio ⁽⁵⁾	0.8	1.0
Gearing Ratio ⁽⁶⁾	42.8%	47.0%
Debt to Equity Ratio ⁽⁷⁾	79.0%	79.0%

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, mainland China, 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 2023 and 30 September 2023 respectively.

Segmental Information

Details of segmental information are set out in note 3 to the financial information of this announcement.

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 six months ended 30 September 2023.

Contingent Liabilities

As at 30 September 2023, the Group had no material contingent liabilities (31 March 2023: Nil).

Events Subsequent to the Period

There was no significant event undertaken by the Company or by the Group after 30 September 2023 and up to the date of this announcement.

Employees and Remuneration Policies

As at 30 September 2023, the Group had 4,500 full-time employees (31 March 2023: 4,484). 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.

Prospects and Outlook

The financial performance of the Group for the six months ended 30 September 2023 ("**Reporting Period**") has recorded a drop in the profit attributable to equity holders of the Company by 49.8% as compared with that of six months ended 30 September 2022 ("**Corresponding Period**"). The downturn was mainly attributable to the decrease in sales revenue by 16.9%, resulting in higher absorption of the fixed cost per unit arising from lower utilization of production facilities in Panyu plant as compared with the Corresponding Period and an impairment loss made for the investment in Teejay Lanka Plc, which in turn affected the net profit margin of the Group during the Reporting Period.

Fierce price competition and the re-adjustment of supply chain management strategy by customers have posed impacts since last financial year. Despite the surge of the sales orders for the Group's existing factory in Vietnam, the utilization rate of our Panyu factory has shrunk under the new trend of diversifying procurement of fabrics and garments in several Asian countries, such as Vietnam and India. Although the Group's existing Vietnam factory is running at close to full capacity, its ability to take further sales order to fully fulfill customers' need is limited by its current design which restricts its production capacity. To this end, the Group has determinedly pushed forward the plan of setting up a new factory in Nam Dinh Province of Vietnam to expand the overall production capacity of the Group.

As always, the management has persistently worked towards to increase the Group's competitiveness. During the first half of the financial year, the management has implemented a lot of measures to strengthen its competitive edges, such as,

- (i) Across-the-board measures: Reinforcing sales teams to boost sales for both domestic and overseas markets; Conducting internal reorganization to form a robust research and development function to enhance innovative merchandise development and strengthen our edge on sophisticated high quality synthetic fabric development to drive business growth; Expanding customers portfolio by diversifying products variety.
- (ii) China-focus measures: Exploring new product lines and cultivating new customers relationship in China to enhance growth in domestic market and to raise the utilization rate of Panyu factory; Adopting prudent cost management and making staff redeployment to achieve efficient resource allocation; Streamlining production process, reducing energy and water consumption, and optimizing headcount in Panyu factory to respond to its drop in production utilization.

Our targets are to keep the Group stay innovative, be always ready to achieve highest levels of customers satisfaction and preserve agility in sales and production.

The management is delighted to announce that the completion of the Group's new factory in Vietnam is in sight. The new factory's production trial run is scheduled in January 2024, while full production is expected to commence in the second quarter of 2024. Its maximum production capacity could reach 34 million pounds per year in the first phase of the development plan. Furthermore, the Group will continue adopting flexible treasury management to lower financial cost, coupled with stringent cost control so as to increase operational efficiency.

The economic outlook in short term is full of uncertainty and influenced by the geopolitical situation, rising interest rate and slow economic growth in our key markets. In spite of the challenges, we are optimistic on the medium-term growth of the Group. New merchandise developments will be one of the driving forces to expand the Group's customers base and penetrate new markets. The management expects to see a rebound in profitability in financial year 2024/25 when the new Vietnam factory is in full production.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$7 cents per Share (2022: HK\$15 cents per Share) for the six months ended 30 September 2023. The interim dividend will be paid on 20 December 2023 to Shareholders whose names appear on the Register of Members of the Company at the close of business on 12 December 2023.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 8 December 2023 to 12 December 2023 (both days inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify for the interim 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 7 December 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2023, the Company repurchased a total of 5,513,000 Shares on the Stock Exchange at an aggregate consideration of (excluding expenses) HK\$10,448,200. Such repurchased shares were subsequently cancelled on 2 August 2023. The issued share capital of the Company was reduced by the par value thereof. Details of the repurchases of shares were as follows:

Month of repurchase	Number of Shares repurchased	Price per Share		Aggregate consideration (excluding expenses) HK\$
		Highest HK\$	Lowest HK\$	
June 2023	800,000	1.94	1.85	1,505,500
July 2023	4,713,000	1.97	1.78	8,942,700

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 six months ended 30 September 2023 and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company had 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 period for the six months ended 30 September 2023.

During the period under review, 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.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 period for the six months ended 30 September 2023.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the CG Code. 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 is responsible for reviewing, overseeing and supervising the effectiveness of the Group's financial reporting process, internal control systems, risk management and whistleblowing policy. The audit committee has reviewed the unaudited condensed consolidated results of the Group for the six months ended 30 September 2023 in conjunction with management of the Company.

The interim financial information has been reviewed by the external auditor of the Company in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF FINANCIAL INFORMATION

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.pacific-textiles.com). The Interim Report of the Company for the six months ended 30 September 2023 will be dispatched to the Company's Shareholders and will be available on the above websites in due course.

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

Hong Kong, 23 November 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.

GLOSSARY

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

“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