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**PACIFIC TEXTILES HOLDINGS LIMITED**

**互太紡織控股有限公司\***

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 01382)**

## **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

### **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\$6,119.1 million (2018: approximately HK\$6,098.2 million) representing an increase of 0.3% as compared with the year ended 31 March 2018.

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 income comprising, among others, sales of residual materials and government grants (including the support of using new technology and cleaner production) are set out in note 3 to the financial information of this announcement.

##### ***Cost of sales***

The cost of sales of the Group was approximately HK\$5,058.2 million (2018: HK\$5,151.0 million) representing a decrease of 1.8% as compared with the year ended 31 March 2018.

##### ***Profit***

During the year under review, the profit attributable to equity holders of the Company was HK\$861.8 million (2018: approximately HK\$744.0 million) representing an increase of 15.8% as compared with last year.

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

- (i) The steady resumption of production of Vietnam factory since early 2018;
- (ii) Broadened customer base and better sales mix

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

During the year, the selling and distribution expenses decreased to HK\$65.9 million (2018: HK\$94.2 million) mainly due to the decrease in cost in meeting customer claims arising from the production suspension of Vietnam factory during April 2017 to December 2017.

#### ***Administration expenses***

The administration expenses increased to HK\$192.0 million (2018: HK\$142.3 million) mainly due to increase in staff cost.

#### ***Finance costs***

Finance costs consisted of interest expenses on bank loan decreased by approximately 16% to HK\$14.2 million (2018: HK\$16.9 million) as a result of the reduction of the total amount of loan and substitute the US loan by lower interest rate HKD loan.

#### ***Trade receivables day and Trade payable day***

Trade receivables day was 49 days while the trade payable day was 49 days.

#### ***Income tax***

The Group recorded an income tax expense from continuing operations of approximately HK\$145.5 million during the year under review (2018: HK\$130.1 million). There was no significant change in applicable tax rates for the Company's subsidiaries for both years. The average effective tax rate of the Group was 14.3% which was lower than last year (2018: 15.2%).

#### ***Assets***

As at 31 March 2019, the total assets of the Group were HK\$4,530.2 million (2018: HK\$4,852.7 million) representing a decrease of 6.6%. The total assets comprised non-current assets of HK\$2,001.3 million (2018: HK\$2,046.4 million) and current assets of HK\$2,528.9 million (2018: HK\$2,806.3 million).

#### ***Key financial ratios are set out below:***

	<b>For the year ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
Gross Profit Margin <sup>(1)</sup>	<b>17.3%</b>	15.5%
Return on Equity <sup>(2)</sup>	<b>26.6%</b>	21.7%
Interest Coverage Ratio <sup>(3)</sup>	<b>127.8</b>	117.2

*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 2019, the Group was in a net cash position of HK\$274.7 million (2018: HK\$207.3 million).

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 2019, the Group had total cash and bank balances of HK\$720.9 million (2018: HK\$666.7 million) comprising of HK\$103.3 million, the equivalent of HK\$391.3 million denominated in US\$, the equivalent of HK\$225.9 million denominated in RMB, the equivalent of HK\$0.3 million denominated in VND and the equivalent of HK\$0.1 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\$300 million (2018: HK\$313.3 million) and the shareholder's loan of HK\$146.2 million (2018: HK\$146.2 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 (2018: Nil).

For the year ended 31 March 2019, the Group's total assets amounted to HK\$4,530.2 million (2018: HK\$4,852.7 million) representing a decrease of 6.6%. Non-current assets and current assets were HK\$2,001.3 million and HK\$2,528.9 million respectively. The above assets were financed by current liabilities of HK\$1,051.6 million, non-current liabilities of HK\$209.0 million and equity attributable to Shareholders of HK\$3,269.6 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 31.4% to HK\$223.2 million (2018: HK\$169.9 million) which was mainly used to purchase machinery and to finance the environmental protection projects of Panyu factory and Vietnam factory.

***Key liquidity or leverage ratios:***

	<b>As at 31 March</b>	
	<b>2019</b>	<b>2018</b>
Current Ratio <sup>(4)</sup>	<b>2.4</b>	2.1
Quick Ratio <sup>(5)</sup>	<b>1.5</b>	1.3
Gearing Ratio <sup>(6)</sup>	<b>14.3%</b>	14.4%
Debt to Equity Ratio <sup>(7)</sup>	<b>38.6%</b>	45.3%

*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 2018 and 31 March 2019 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 2019.

### ***Contingent Liabilities***

As at 31 March 2019, the Group had no material contingent liabilities (2018: Nil).

### **Employees and Remuneration Policies**

As at 31 March 2019, the Group had 5,688 full-time employees (2018: 5,543). 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 Group had recorded moderate growth in gross profit during the year under review as compared with the same period of last financial year. The increase in gross profit was mainly due to the improvement of product mix (raising the higher-priced product proportion) and the resumption of operation of Vietnam factory. However, such effect was partially off-set by the slight decrease of sales volume (in pounds), in particular, due to the lower than forecasted demand in synthetic fabrics used for cold resistant clothing as a result of warm winter in some of the key markets.

It is generally believed that the warm weather will appear to continue thus indirectly hinder the growth in sales of cold resistant fabrics, therefore the Group is exploring new product lines for high quality synthetic fabrics for sportswear.

Despite constrained customer spending in key economies around the world, the Group believes that the global demand for sportswear, such as indoor sportswear and fitness apparel is expected to be continuing to rise, and therefore, developing functional fabrics by advanced technology will be the focus of the Group for next year, to achieve steady increase in its market shares in fabrics for sportswear in the next few years.

Geographically, the Group will further diversify its business risk and balance its customer base by further develop the mainland China market.

Looking forward, the trade barriers do not seem to pose direct and immediate impact on the Group's business because the amount of fabrics exported by the Group to the USA is insignificant. However, the indirect and long term impact remain unseen. Rising costs in labor, materials and environmental protection related matters also increase the cost of production, the Group has constantly monitored the cost and adopted measures in cost cutting and savings. Amidst the rising cost, the Group upholds its commitment to adopt green technology in production. The Panyu factory has been recognized by Ministry of Industry and Information Technology of PRC and named as "National Green Factory" in 2018.

The Group has been actively seeking appropriate location for a new production base in Vietnam with a view to lowering the average cost and risk diversification. As at the date of this report, the discussion with the owner of an industrial zone is on-going.

In the rapidly changing world, the management will implement appropriate flexible measures and business strategies to grasp the business opportunity and cope with the challenges ahead.

## FINANCIAL INFORMATION

The Board hereby announces the audited consolidated results of the Group for the 2019 Financial Year together with the comparative figures for the last year as follow:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	Note	2019 HK\$'000	2018 HK\$'000
Revenue	2	6,119,081	6,098,153
Cost of sales	4	<u>(5,058,180)</u>	<u>(5,150,991)</u>
<b>Gross profit</b>		<b>1,060,901</b>	947,162
Other income and other gains/(losses) – net	3	183,223	116,131
Impairment loss on trade receivables		(2,722)	–
Distribution and selling expenses	4	(65,864)	(94,178)
General and administrative expenses	4	<u>(191,996)</u>	<u>(142,250)</u>
<b>Operating profit</b>		<b>983,542</b>	826,865
Finance income	5	11,673	8,583
Finance costs	5	(14,166)	(16,921)
Share of profits of associates		34,738	34,520
Gain on disposal of certain interest in an associate		–	396
<b>Profit before income tax</b>		<b>1,015,787</b>	853,443
Income tax expense	6	<u>(145,528)</u>	<u>(130,101)</u>
<b>Profit for the year</b>		<b><u>870,259</u></b>	<b><u>723,342</u></b>
Profit attributable to:			
Equity holders of the Company		861,780	744,035
Non-controlling interests		<u>8,479</u>	<u>(20,693)</u>
		<b><u>870,259</u></b>	<b><u>723,342</u></b>
Earnings per share attributable to equity holders of the Company for the year (expressed in HK\$ per share)			
– basic	7	0.60	0.51
– diluted	7	<u>0.60</u>	<u>0.51</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Profit for the year</b>	<b>870,259</b>	723,342
Other comprehensive income: <i>Items that have been or may be reclassified to profit or loss:</i>		
Currency translation differences	<b>(212,734)</b>	252,605
<b>Total comprehensive income for the year</b>	<b>657,525</b>	975,947
Attributable to:		
Equity holders of the Company	<b>650,781</b>	995,943
Non-controlling interests	<b>6,744</b>	(19,996)
	<b>657,525</b>	975,947



## CONSOLIDATED BALANCE SHEET

As at 31 March 2019

	Note	2019 HK\$'000	2018 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights		115,321	48,323
Property, plant and equipment		1,520,210	1,562,062
Interests in associates		320,572	313,011
Available-for-sale financial assets		–	853
Financial assets at fair value through other comprehensive income		853	–
Deferred income tax assets		15,843	9,487
Prepayments for land use rights and property, plant and equipment		28,497	112,636
		<u>2,001,296</u>	<u>2,046,372</u>
<b>Current assets</b>			
Inventories		947,353	1,068,184
Trade and bills receivables	9	735,882	916,500
Deposits, prepayments and other receivables		63,676	78,467
Amounts due from associates		52,799	49,092
Derivative financial instruments		8,339	16,284
Current income tax recoverable		–	11,110
Short-term bank deposits		–	43,875
Cash and cash equivalents		720,892	622,826
		<u>2,528,941</u>	<u>2,806,338</u>
<b>Total assets</b>		<u><u>4,530,237</u></u>	<u><u>4,852,710</u></u>

## CONSOLIDATED BALANCE SHEET (cont'd)

As at 31 March 2019

	Note	2019 HK\$'000	2018 HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		1,446	1,446
Share premium		1,453,188	1,453,188
Reserves		1,824,977	1,902,944
		<u>3,279,611</u>	<u>3,357,578</u>
<b>Non-controlling interests</b>		<b>(9,972)</b>	<b>(16,716)</b>
		<u>3,269,639</u>	<u>3,340,862</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		146,225	146,169
Deferred income tax liabilities		39,889	34,494
Other non-current payable		22,934	20,148
		<u>209,048</u>	<u>200,811</u>
<b>Current liabilities</b>			
Borrowings		300,000	313,264
Trade and bills payables	10	568,485	781,651
Accruals and other payables		160,636	199,865
Derivative financial instruments		225	924
Current income tax liabilities		22,204	15,333
		<u>1,051,550</u>	<u>1,311,037</u>
<b>Total liabilities</b>		<b>1,260,598</b>	<b>1,511,848</b>
<b>Total equity and liabilities</b>		<b>4,530,237</b>	<b>4,852,710</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The basis of preparation and principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied for all of the years presented, unless otherwise stated.

#### 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 financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss 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) *New standards, amendments to standards and interpretation to existing standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2018:

Amendments to HKFRS 1 and HKAS 28	Annual improvements 2014–2016 cycle
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
Amendments to HKFRS 15	Clarifications to HKFRS 15
Amendments to HKAS 40	Transfers of investment property
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration

The impact of the adoption of HKFRS 9 Financial Instruments (“HKFRS 9”) and HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”) are disclosed in Note 1.2.

Apart from aforementioned HKFRS 9 and HKFRS 15, the other standards did not have material impact on the Group’s accounting policies and did not require any adjustments.

# 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 2018 and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
Amendments to Annual Improvements Project	Annual improvements 2015-2017 cycle	1 April 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 April 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 April 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1 April 2019
HKFRS 16	Leases	1 April 2019
HK(IFRIC)-Int 23	Uncertainty over income tax treatments	1 April 2019
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 April 2020
Amendments to HKFRS 3 (Revised)	Definition of a business	1 April 2020
Amendments to HKAS 1 & HKAS 8	Definition of Material	1 April 2020
HKFRS 17	Insurance contracts	1 April 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group's assessment of the impact of these new standards and interpretations is set out below:

### *HKFRS 16, "Leases"*

#### Nature of change

HKFRS 16 will result in almost all leases being recognised on the consolidated balance sheet by lessees as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

## **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 (cont'd)*

#### **Impact**

Based on management's initial assessment, the adoption of HKFRS 16 in the future will result in an increase in the right-of-use assets and the lease liabilities, which is expected to result in an increase in both assets and liabilities in the consolidated balance sheet. The adoption will also front-load the expense recognition in the consolidated income statement over the period of the leases, as a result of the combination of the interest expenses arising from the lease liabilities and the amortisation of the right-of-use assets as compared to the rental expenses under existing standard.

The overall impact on profit before income tax will not be affected significantly, except interest expense on lease liability will be included in "finance costs", which are currently a part of rental expenses recognised. The payment for lease liability will be mostly reflected in financing cash flow, with the interest portion recognised as interests paid.

#### **Date of adoption by Group**

The Group will apply the standard from 1 April 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for leases will be measured at the amount of the lease liability on adoption.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### **1.2 Changes in accounting policies**

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's financial statements.

#### *1.2(a) Impact on the consolidated financial statements*

The Group elected to adopt HKFRS 9 and HKFRS 15 without restating comparatives. The reclassifications and the adjustments are therefore not reflected in the consolidated balance sheet as at 31 March 2018, but are recognised in the opening consolidated balance sheet on 1 April 2018.

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

## 1.2 Changes in accounting policies (cont'd)

### 1.2(b) HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

#### (i) Classification and measurement

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

	<b>Available-for sale financial assets</b> <i>HK\$'000</i>	<b>Financial assets at fair value through other comprehensive income</b> <i>HK\$'000</i>
<b>Closing balance as at 31 March 2018 – HKAS 39</b>	853	–
Reclassify investments from available-for-sale financial assets to financial assets at fair value through other comprehensive income	(853)	853
Opening balance as at 1 April 2018 – HKFRS 9	–	853

Other financial assets, which were previously classified as loan and receivables category under HKAS 39, are now classified as financial assets at amortised cost and have no impact on their measurement.

#### (ii) Impairment of financial assets

The Group has four types of financial assets at amortised cost subject to HKFRS 9's new expected credit loss model:

- Trade and bills receivables;
- Other receivables (excluding prepayments);
- Amounts due from associates; and
- Short term bank deposits and cash and cash equivalents

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of financial assets.

While cash and cash equivalents and short-term bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

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

## 1.2 Changes in accounting policies (cont'd)

### 1.2(b) HKFRS 9 Financial Instruments (cont'd)

#### (ii) Impairment of financial assets (cont'd)

For other receivables, management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is immaterial.

#### *Trade and bills receivables and amounts due from associates*

The Group applies the simplified approach to measure the expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade and bills receivables and amounts due from associates.

The adoption of the simplified expected loss approach under HKFRS 9 has not resulted in any additional impairment loss for trade receivables and amounts due from associates as at 1 April 2018.

Impairment losses on trade receivables is presented within operating profit from 1 April 2018.

### 1.2(c) HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces HKAS 18 Revenue, which resulted in changes in accounting policies that relate to timing of revenue recognition and presentation of contract liabilities.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods.

As a result of the changes in the Group's accounting policies, certain reclassifications are not reflected in the consolidated balance sheet as at 31 March 2018, but are recognised in the opening consolidated balance sheet on 1 April 2018.

The following table shows the adjustment recognised for individual line item. Line items that were not affected by the changes have not been included.

The impact of the reclassifications are as follows:

	<b>Receipt in advance</b> <i>HK\$'000</i>	<b>Contract liabilities</b> <i>HK\$'000</i>
Closing balance as at 31 March 2018 – HKAS 18	5,179	–
Reclassifying receipts in advance to contract liabilities	<u>(5,179)</u>	<u>5,179</u>
Opening balance as at 1 April 2018 – HKFRS 15	<u>–</u>	<u>5,179</u>

As at 31 March 2019, contract liabilities of HK\$794,000 represented receipt in advance from customers. These items were included in accruals and other payables.

## 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>2019</b>	2018
	<b>HK\$’000</b>	HK\$’000
Revenue (recognised at a point in time)	<b>6,119,081</b>	6,098,153
Gross profit	<b>1,060,901</b>	947,162
Gross profit margin (%)	<b>17.3%</b>	15.5%
Operating expenses	<b>260,582</b>	236,428
Operating expenses/Revenue (%)	<b>4.3%</b>	3.9%
EBITDA ( <i>Note (i)</i> )	<b>1,176,897</b>	1,025,868
EBITDA/Revenue (%)	<b>19.2%</b>	16.8%
Finance income	<b>11,673</b>	8,583
Finance costs	<b>14,166</b>	16,921
Depreciation and amortisation (included in cost of sales and operating expenses)	<b>158,617</b>	164,087
Share of profits of associates	<b>34,738</b>	34,520
Gain on disposal of certain interest in an associate	–	396
Income tax expense	<b>145,528</b>	130,101
Profit attributable to equity holders of the Company	<b>861,780</b>	744,035
Net profit margin (%)	<b>14.1%</b>	12.2%
Total assets	<b>4,530,237</b>	4,852,710
Equity attributable to equity holders of the Company	<b>3,279,611</b>	3,357,578
Cash and bank balances	<b>720,892</b>	666,701
Borrowings	<b>446,225</b>	459,433
Inventories	<b>947,353</b>	1,068,184
Inventory turnover days ( <i>Note (ii)</i> )	<b>73</b>	73
Trade and bills receivables	<b>735,882</b>	916,500
Trade and bills receivables turnover days ( <i>Note (iii)</i> )	<b>49</b>	56
Trade and bills payables	<b>568,485</b>	781,651
Trade and bills payables turnover days ( <i>Note (ii)</i> )	<b>49</b>	61



## 2 SEGMENT INFORMATION (cont'd)

Notes:

- (i) EBITDA is defined as profit for the year before finance income, finance costs, income tax expense, depreciation and amortisation.
- (ii) 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.
- (iii) 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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
EBITDA	1,176,897	1,025,868
Depreciation	(155,190)	(160,625)
Amortisation	(3,427)	(3,462)
Finance income	11,673	8,583
Finance costs	(14,166)	(16,921)
Profit before income tax	<u>1,015,787</u>	<u>853,443</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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
PRC	1,250,196	1,204,890
Vietnam	2,478,934	2,627,829
Hong Kong	646,258	638,657
America	187,278	188,553
Other South East Asia countries ( <i>Note (i)</i> )	530,709	419,608
Sri Lanka	255,167	384,936
India	47,097	67,039
Haiti	196,517	188,254
Africa	492,908	311,362
Others	34,017	67,025
	<u>6,119,081</u>	<u>6,098,153</u>

Note:

- (i) Other South East Asia countries mainly include Indonesia, Cambodia and Thailand.

## 2 SEGMENT INFORMATION (cont'd)

For the year ended 31 March 2019, customer A and customer B accounted for approximately 43% (2018: 41%) and 18% (2018: 16%) of the Group's revenue, respectively. All other customers individually accounted for less than 10% of the Group's revenue for years ended 31 March 2019 and 2018.

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

	<b>Group</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
PRC	1,336,577	1,402,127
Hong Kong	13,009	12,218
Vietnam	315,295	309,529
	<u>1,664,881</u>	<u>1,723,874</u>

## 3 OTHER INCOME AND OTHER GAINS/(LOSSES) – NET

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Other income:		
Sale of residual materials	62,779	42,211
Sub-contracting income	4,681	3,887
Handling income	4,532	3,350
Rental income	4,436	5,079
Government grants	20,678	17,770
Sundry income	59,816	49,410
	<u>156,922</u>	<u>121,707</u>
Other gains/(losses) – net:		
Derivative financial instruments – forward foreign currency contracts	5,636	15,360
Loss on disposal of property, plant and equipment	(1,791)	(8,363)
Net foreign exchange gains/(losses)	22,456	(12,573)
	<u>26,301</u>	<u>(5,576)</u>
	<u>183,223</u>	<u>116,131</u>

#### 4 EXPENSES BY NATURE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Depreciation of property, plant and equipment	155,190	160,625
Amortisation of land use rights	3,427	1,376
Amortisation of prepayments for acquisition of land use rights	–	2,086
Cost of raw materials and consumables used	4,496,968	4,525,040
Provision for impairment of trade receivables, net	–	782
Employee benefits expense (including directors' emoluments)	663,079	598,661
Operating lease payments in respect of land and buildings	4,053	3,606
Reversal of provision for slow-moving and obsolete inventories, net	(52,363)	(13,062)
Auditor's remuneration		
– Audit services	2,845	2,770
– Non-audit services	266	278
Provision for claims and claims paid, net	–	19,409
Others	42,575	85,848
	<u>5,316,040</u>	<u>5,387,419</u>
Total cost of sales, distribution and selling expenses and general and administrative expenses	<u>5,316,040</u>	<u>5,387,419</u>

#### 5 FINANCE INCOME AND COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Finance income:		
– Bank interest income	11,673	8,583
Finance costs:		
– Interest expense on bank loans	(8,010)	(7,346)
– Net foreign exchange loss	(4,981)	(9,575)
– Imputed interest of provision for reinstatement cost	(1,175)	–
	<u>(14,166)</u>	<u>(16,921)</u>
Net finance costs	<u>(2,493)</u>	<u>(8,338)</u>

## 6. INCOME TAX EXPENSE

During the year ended 31 March 2019, the Group was subject to profits tax in Hong Kong, the PRC and Vietnam. Hong Kong profits tax has been provided for at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the year. PRC enterprise income tax has been provided for at the rate of 25% (2018: 25%) on the estimated assessable profits for the year. Vietnam enterprise income tax has been provided for at the rate of 20% (2018: 20%) on the estimated assessable profits for the year.

The Group's subsidiary in Vietnam is entitled to tax holiday and the profits are fully exempted from Vietnam enterprise income tax for two years starting from its first year of profitable operations, which is the financial year ended 31 March 2017, after offsetting prior year tax losses, followed by 50% reduction in CIT in next four years.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	69,632	71,303
– PRC corporate income tax	79,579	59,986
Deferred tax	(2,702)	(3,336)
(Over-provision)/under-provision in prior years	(981)	2,148
	<u>145,528</u>	<u>130,101</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 during the year.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u>861,780</u>	<u>744,035</u>
Weighted average number of shares in issue (thousands)	<u>1,446,423</u>	<u>1,446,423</u>
Basic earnings per share (HK\$ per share)	<u>0.60</u>	<u>0.51</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 years ended 31 March 2018 and 2019.

Since the average market price of the Company's shares during the year is smaller 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 2018 and 2019 are the same as basic earnings per share of the respective year.

## 8 DIVIDENDS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interim dividend paid of HK32 cents (2018: HK26.5 cents) ( <i>Note (i)</i> )	462,855	383,302
Proposed final dividend of HK25 cents (2018: HK18.5 cents) ( <i>Note (ii)</i> )	<u>361,606</u>	<u>267,588</u>
	<u><u>824,461</u></u>	<u><u>650,890</u></u>

### Notes:

- (i) On 22 November 2018, the Company's Board of Directors declared an interim dividend of HK32 cents per share (2018: HK26.5 cents) for the six-month period ended 30 September 2018. The amount was paid in December 2018.
- (ii) On 20 June 2019, the Company's Board of Directors proposed a final dividend of HK25 cents per share for the year ended 31 March 2019. This proposed dividend has not been reflected as dividend payable in the consolidated financial statements as at 31 March 2019.

## 9 TRADE AND BILLS RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	702,862	887,398
Bills receivables	<u>36,831</u>	<u>30,923</u>
	739,693	918,321
Less: Provision for impairment of trade receivables	<u>(3,811)</u>	<u>(1,821)</u>
	<u><u>735,882</u></u>	<u><u>916,500</u></u>

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

Majority of the Group's sales are with credit terms of 30 to 60 days. The aging analysis of trade and bills receivables based on invoice date is as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 – 60 days	<b>674,723</b>	852,022
61 – 120 days	<b>61,535</b>	65,252
121 days – 1 year	<b>3,435</b>	1,047
	<u><b>739,693</b></u>	<u>918,321</u>

## 10. TRADE AND BILLS PAYABLES

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables	<b>545,758</b>	760,538
Bills payables	<b>22,727</b>	21,113
	<u><b>568,485</b></u>	<u>781,651</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. Trade and bills payables were aged as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 – 60 days	<b>533,624</b>	752,880
61 – 120 days	<b>26,691</b>	19,107
121 days – 1 year	<b>8,170</b>	9,664
	<u><b>568,485</b></u>	<u>781,651</u>

## **SUPPLEMENTAL INFORMATION**

### **RESULTS AND DIVIDENDS**

The results of the Group for the 2019 Financial Year are set out in the consolidated statement of profit or loss on page 7 of this announcement.

An interim dividend of HK32 cents (2018: HK26.5 cents) per Share was paid on 21 December 2018 to the Shareholders. The Board has recommended the payment of a final dividend of HK25 cents (2018: HK18.5 cents) per Share. Subject to the approval of the Shareholders at the forthcoming AGM, the final dividend of HK25 cents will be paid on 29 August 2019 to the Shareholders whose names appear on the Register of Members of the Company on 19 August 2019.

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

The Register of the Members of the Company will be closed from 5 August 2019 to 8 August 2019 (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 2 August 2019. The record date which determines the Shareholder's voting right is scheduled on 5 August 2019.

The Register of the Members of the Company will be closed from 15 August 2019 to 19 August 2019 (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 2019, 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 14 August 2019.

### **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 2019 Financial Year.

Mr. Wan Wai Loi had served as the chairman and the chief executive officer of the Company during the year, hence the Company did not comply with the code provision A.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. 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 current Directors confirmed that they had complied with the required standard set out in such Code throughout the 2019 Financial Year.

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

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's Shares during the 2019 Financial Year.

## **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 2019 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 2019 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 2019 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 2019 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 8 August 2019. 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.

## **GLOSSARY**

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

“2019 Financial Year”	For the year ended 31 March 2019
“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 the 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

“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
“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 in 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

By order of the Board  
**Pacific Textiles Holdings Limited**  
**WAN WAI LOI**  
*Chairman & CEO*

Hong Kong, 20 June 2019

*As at the date of this announcement, the Executive Directors are Mr. WAN Wai Loi, Mr. TOU Kit Vai and Mr. Toshiya ISHII; 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*