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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 2020

The Board of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2020 together with the comparative figures for the year ended 31 March 2019 as follows:

#### FINANCIAL INFORMATION

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	2	5,476,196	6,119,081
Cost of sales	4	(4,551,618)	(5,058,180)
<b>Gross profit</b>		<b>924,578</b>	<b>1,060,901</b>
Other income and other (losses)/gains – net	3	146,741	183,223
Reversal of/(impairment loss) on trade receivables		2,172	(2,722)
Distribution and selling expenses	4	(63,985)	(65,864)
General and administrative expenses	4	(189,919)	(191,996)
<b>Operating profit</b>		<b>819,587</b>	<b>983,542</b>
Finance income	5	25,435	11,673
Finance costs	5	(11,435)	(14,166)
Share of profits of associates		37,340	34,738
<b>Profit before income tax</b>		<b>870,927</b>	<b>1,015,787</b>
Income tax expense	6	(102,998)	(145,528)
<b>Profit for the year</b>		<b>767,929</b>	<b>870,259</b>
Profit attributable to:			
Equity holders of the Company		743,489	861,780
Non-controlling interests		24,440	8,479
		<b>767,929</b>	<b>870,259</b>
Earnings per share attributable to equity holders of the Company for the year (expressed in HK\$ per share)			
– basic	7	0.51	0.60
– diluted	7	0.51	0.60

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Profit for the year</b>	<b>767,929</b>	870,259
Other comprehensive income:		
<i>Items that have been or may be reclassified to profit or loss:</i>		
Currency translation differences	<b>(162,317)</b>	(212,734)
<b>Total comprehensive income for the year</b>	<b>605,612</b>	657,525
Attributable to:		
Equity holders of the Company	<b>584,508</b>	650,781
Non-controlling interests	<b>21,104</b>	6,744
	<b>605,612</b>	657,525

## CONSOLIDATED BALANCE SHEET

As at 31 March 2020

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights		–	115,321
Property, plant and equipment		<b>1,410,037</b>	1,520,210
Right-of-use assets		<b>110,815</b>	–
Interests in associates		<b>323,487</b>	320,572
Financial assets at fair value through other comprehensive income		<b>853</b>	853
Deferred income tax assets		<b>19,579</b>	15,843
Deposits for land use rights and prepayment for property, plant and equipment		<b>47,586</b>	28,497
		<u><b>1,912,357</b></u>	<u>2,001,296</u>
<b>Current assets</b>			
Inventories		<b>1,133,792</b>	947,353
Trade and bills receivables	9	<b>741,994</b>	735,882
Deposits, prepayments and other receivables		<b>66,701</b>	63,676
Amounts due from associates		<b>29,542</b>	52,799
Derivative financial instruments		–	8,339
Short-term bank deposits		<b>161,645</b>	–
Cash and cash equivalents		<b>767,143</b>	720,892
		<u><b>2,900,817</b></u>	<u>2,528,941</u>
<b>Total assets</b>		<u><b>4,813,174</b></u>	<u>4,530,237</u>

## CONSOLIDATED BALANCE SHEET (cont'd)

As at 31 March 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		1,435	1,446
Share premium		1,398,998	1,453,188
Treasury shares		(88,037)	–
Reserves		1,673,528	1,824,977
		<u>2,985,924</u>	<u>3,279,611</u>
<b>Non-controlling interests</b>		<u>11,132</u>	<u>(9,972)</u>
<b>Total equity</b>		<u>2,997,056</u>	<u>3,269,639</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		125,049	146,225
Lease liabilities		373	–
Deferred income tax liabilities		50,989	39,889
Other non-current provision		26,305	22,934
		<u>202,716</u>	<u>209,048</u>
<b>Current liabilities</b>			
Borrowings		737,190	300,000
Trade and bills payables	10	645,691	568,485
Accruals and other payables		183,862	160,636
Lease liabilities		771	–
Derivative financial instruments		6,994	225
Current income tax liabilities		38,894	22,204
		<u>1,613,402</u>	<u>1,051,550</u>
<b>Total liabilities</b>		<u>1,816,118</u>	<u>1,260,598</u>
<b>Total equity and liabilities</b>		<u>4,813,174</u>	<u>4,530,237</u>

## 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 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) *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 2019:

Amendments to Annual Improvements Project	Annual improvements 2015-2017 cycle
Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in associates and joint ventures
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over income tax treatments

The Group changed its accounting policies for leases with effect from 1 April 2019 following the adoption of HKFRS 16 “Leases” (“HKFRS 16”) as disclosed in Note 1.2 below. All other amendments to standards and interpretation 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 2019 and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
Amendments to HKFRS 3	Definition of a business	1 April 2020
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 April 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 April 2020
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting	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	Note

*Note:* To be announced by 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 Changes in accounting policies

The following explains the impact of the adoption of HKFRS 16 on the Group's consolidated financial statements. As indicated in Note 1.1 above, the Group has adopted HKFRS 16 from 1 April 2019, but has not restated comparatives as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 3.92%.

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

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

### (i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following recognition exemptions and practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- exempting operating leases for which the underlying assets are of low value
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) -4 “Determining whether an Arrangement contains a Lease”.

### (ii) Measurement of lease liabilities

	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	<u>1,442</u>
Discounted using the lessee's incremental borrowing rate at the date of initial application	<u>1,292</u>
<b>Lease liability recognized as at 1 April 2019</b>	<b><u>1,292</u></b>
Of which are:	
– Current lease liabilities	662
– Non-current lease liabilities	<u>630</u>
	<b><u>1,292</u></b>

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

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

### (iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. Right-of-use assets recognised upon the date of initial application were measured at the amount equal to the lease liabilities.

Land use rights, previously presented as a separate item on the consolidated balance sheet, and leasehold land, previously included in property, plant and equipment, are grouped as part of right-of-use assets with effect from 1 April 2019.

The recognised right-of-use assets relate to the following types of assets:

	As at 31 March 2020 HK\$'000	As at 1 April 2019 HK\$'000
Office premises	1,129	1,292
Leasehold land	2,632	2,728
Land use rights	107,054	115,321
	<u>110,815</u>	<u>119,341</u>

### (iv) Adjustments recognised on the adoption of HKFRS 16

Changes in accounting policies affected the following items in the consolidated balance sheet on 1 April 2019:

#### Consolidated balance sheet (extract)

	As at 31 March 2019 as originally presented HK\$'000	Effects of the adoption of HKFRS 16 HK\$'000	As at 1 April 2019 Restated HK\$'000
<b>Non-current assets</b>			
Land use rights	115,321	(115,321)	–
Property, plant and equipment	1,520,210	(2,728)	1,517,482
Right-of-use assets	–	119,341	119,341
<b>Current liabilities</b>			
Lease liabilities	–	662	662
<b>Non-current liabilities</b>			
Lease liabilities	–	630	630



## 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>2020</b>	2019
	<b>HK\$’000</b>	HK\$’000
Revenue (recognised at a point in time)	<b>5,476,196</b>	6,119,081
Gross profit	<b>924,578</b>	1,060,901
Gross profit margin (%)	<b>16.9%</b>	17.3%
Operating expenses	<b>251,732</b>	260,582
Operating expenses/Revenue (%)	<b>4.6%</b>	4.3%
EBITDA ( <i>Note (i)</i> )	<b>1,014,926</b>	1,176,897
EBITDA/Revenue (%)	<b>18.5%</b>	19.2%
Finance income	<b>25,435</b>	11,673
Finance costs	<b>11,435</b>	14,166
Depreciation and amortisation (included in cost of sales and operating expenses)	<b>157,999</b>	158,617
Share of profits of associates	<b>37,340</b>	34,738
Income tax expense	<b>102,998</b>	145,528
Profit attributable to equity holders of the Company	<b>743,489</b>	861,780
Net profit margin (%)	<b>13.6%</b>	14.1%
Total assets	<b>4,813,174</b>	4,530,237
Equity attributable to equity holders of the Company	<b>2,985,924</b>	3,279,611
Cash and bank balances	<b>928,788</b>	720,892
Borrowings	<b>862,239</b>	446,225
Inventories	<b>1,133,792</b>	947,353
Inventory turnover days ( <i>Note (ii)</i> )	<b>83</b>	73
Trade and bills receivables	<b>741,994</b>	735,882
Trade and bills receivables turnover days ( <i>Note (iii)</i> )	<b>49</b>	49
Trade and bills payables	<b>645,691</b>	568,485
Trade and bills payables turnover days ( <i>Note (ii)</i> )	<b>49</b>	49

## 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
EBITDA	1,014,926	1,176,897
Depreciation	(157,999)	(155,190)
Amortisation	–	(3,427)
Finance income	25,435	11,673
Finance costs	(11,435)	(14,166)
	<u>870,927</u>	<u>1,015,787</u>
Profit before income tax	<u>870,927</u>	<u>1,015,787</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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
PRC	1,091,888	1,250,196
Vietnam	2,280,111	2,478,934
Hong Kong	466,141	646,258
America	196,208	187,278
Other Asian countries ( <i>Note (i)</i> )	648,219	983,965
Sri Lanka	371,999	255,167
India	80,529	47,097
Haiti	231,266	196,517
Africa	75,130	39,652
Others	34,705	34,017
	<u>5,476,196</u>	<u>6,119,081</u>

Note:

- (i) Other Asian countries mainly include Bangladesh, Indonesia, Cambodia and Thailand.

## 2 SEGMENT INFORMATION (cont'd)

For the year ended 31 March 2020, customer A and customer B accounted for approximately 37% (2019: 43%) and 18% (2019: 18%) 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 2020 and 2019.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
PRC	1,248,513	1,336,577
Hong Kong	10,865	13,009
Vietnam	309,913	315,295
	<u>1,569,291</u>	<u>1,664,881</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other income:		
Sale of residual materials	40,609	62,779
Sub-contracting income	1,889	4,681
Handling income	3,355	4,532
Rental income	4,046	4,436
Government grants	85,127	20,678
Sundry income	69,682	59,816
	<u>204,708</u>	<u>156,922</u>
Other (losses)/gains – net:		
Derivative financial instruments		
– forward foreign currency contracts	(23,063)	5,636
Loss on disposal of property, plant and equipment	(8,041)	(1,791)
Net foreign exchange (losses)/gains	(26,863)	22,456
	<u>(57,967)</u>	<u>26,301</u>
	<u>146,741</u>	<u>183,223</u>

#### 4 EXPENSES BY NATURE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Depreciation of property, plant and equipment	153,656	155,190
Amortisation of land use rights	–	3,427
Depreciation of right-of-use assets	4,343	–
Cost of raw materials and consumables used	3,897,936	4,496,968
Employee benefits expense (including directors' emoluments)	641,216	663,079
Operating lease payments in respect of land and buildings	1,648	4,053
Provision/(reversal of provision) for slow-moving and obsolete inventories, net	18,574	(52,363)
Auditor's remuneration		
– Audit services	2,906	2,845
– Non-audit services	225	266
Others	85,018	42,575
	<u>4,805,522</u>	<u>5,316,040</u>
Total cost of sales, distribution and selling expenses and general and administrative expenses	<u>4,805,522</u>	<u>5,316,040</u>

#### 5 FINANCE INCOME AND COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Finance income:		
– Bank interest income	12,172	11,673
– Net foreign exchange gain on bank loans	5,654	–
– Net foreign exchange gain on cash and cash equivalents	7,609	–
	<u>25,435</u>	<u>11,673</u>
Finance costs:		
– Interest expense on bank loans	(10,137)	(8,010)
– Net foreign exchange loss on cash and cash equivalents	–	(4,981)
– Interest expenses arising from lease liabilities	(69)	–
– Imputed interest of provision for reinstatement cost	(1,229)	(1,175)
	<u>(11,435)</u>	<u>(14,166)</u>
Net finance income/(costs)	<u>14,000</u>	<u>(2,493)</u>

## 6 INCOME TAX EXPENSE

The Group is 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% (2019: 16.5%) on the estimated assessable profits for the year. PRC enterprise income tax has been provided for at the rate of 25% (2019: 25%) on the estimated assessable profits for the year. Vietnam enterprise income tax has been provided for at the rate of 20% (2019: 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	43,380	69,632
– Overseas income tax	68,244	79,579
Deferred tax	9,185	(2,702)
Over-provision in prior years	(17,811)	(981)
	<u>102,998</u>	<u>145,528</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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u>743,489</u>	<u>861,780</u>
Weighted average number of shares in issue (thousands)	<u>1,443,679</u>	<u>1,446,423</u>
Basic earnings per share (HK\$ per share)	<u>0.51</u>	<u>0.60</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 2019 and 2020.

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 2019 and 2020 is the same as basic earnings per share of the respective year.

## 8 DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interim dividend paid of HK26 cents (2019: HK32 cents) ( <i>Note (i)</i> )	375,525	462,855
Proposed final dividend of HK18 cents (2019: HK25 cents) ( <i>Note (ii)</i> )	254,017	361,606
	<u>629,542</u>	<u>824,461</u>

### *Notes:*

- (i) On 21 November 2019, the Company's Board of Directors declared an interim dividend of HK26 cents per share (2019: HK32 cents) for the six-month period ended 30 September 2019. The amount was paid in December 2019.
- (ii) On 18 June 2020, the Company's Board of Directors proposed a final dividend of HK18 cents per share for the year ended 31 March 2020. This proposed dividend has not been reflected as dividend payable in the consolidated financial statements as at 31 March 2020.

## 9 TRADE AND BILLS RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	680,870	702,862
Bills receivables	62,686	36,831
	<u>743,556</u>	<u>739,693</u>
Less: Provision for impairment of trade receivables	(1,562)	(3,811)
	<u>741,994</u>	<u>735,882</u>

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 60 days	732,248	674,723
61 – 120 days	10,239	61,535
121 days – 1 year	1,069	3,435
	<u>743,556</u>	<u>739,693</u>

**10 TRADE AND BILLS PAYABLES**

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Trade payables	<b>629,312</b>	545,758
Bills payables	<b>16,379</b>	22,727
	<hr/> <b>645,691</b> <hr/>	<hr/> 568,485 <hr/>

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>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
0 – 60 days	<b>626,878</b>	533,624
61 – 120 days	<b>11,286</b>	26,691
121 days – 1 year	<b>7,527</b>	8,170
	<hr/> <b>645,691</b> <hr/>	<hr/> 568,485 <hr/>

**11 SUBSEQUENT EVENT**

Subsequent to 31 March 2020, the Company repurchased an additional 2,124,000 shares at consideration of HK\$7,725,000. Such shares were cancelled in April 2020.

## **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\$5,476.2 million (2019: approximately HK\$6,119.1 million) representing a decrease of 10.5% as compared with the year ended 31 March 2019, due to the temporary 3 weeks' PRC factory closure arising from 2019 novel coronavirus disease ("COVID-19").

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 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\$4,551.6 million (2019: HK\$5,058.2 million) representing a decrease of 10.0% as compared with the year ended 31 March 2019, in line with the decrease in revenue during the year.

#### **Profit**

During the year under review, profit attributable to equity holders of the Company was HK\$743.5 million (2019: approximately HK\$861.8 million) representing a decrease of 13.7% as compared with last year because of the drop in sales revenue.

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

During the year under review, selling and distribution expenses decreased to HK\$64.0 million (2019: HK\$65.9 million).

#### **Administration expenses**

The administration expenses slightly decreased to HK\$189.9 million (2019: HK\$192.0 million).

#### **Finance costs**

Finance costs comprising interest expenses on bank loan decreased by approximately 19.7% to HK\$11.4 million (2019: HK\$14.2 million) mainly due to decrease in exchange loss on cash and cash equivalents.

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

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



## Income tax

The Group recorded an income tax expense from continuing operations of approximately HK\$103.0 million during the year under review (2019: HK\$145.5 million). The average effective tax rate of the Group was 11.8% which was lower than last year (2019: 14.3%). The reduction in effective tax rate was mainly attributed to (i) lower tax rate due to the tax holiday entitled by the Group's subsidiary in Vietnam; and (ii) the benefit of PRC tax incentives resulted from research and development projects.

## Assets

As at 31 March 2020, the total assets of the Group were HK\$4,813.2 million (2019: HK\$4,530.2 million) representing an increase of 6.2%. The total assets comprised non-current assets of HK\$1,912.4 million (2019: HK\$2,001.3 million) and current assets of HK\$2,900.8 million (2019: HK\$2,528.9 million). Such increase was a result of increase in inventory, accounts receivables, and cash and bank balances.

## Key financial ratios are set out below:

	For the year ended 31 March	
	2020	2019
Gross Profit Margin <sup>(1)</sup>	16.9%	17.3%
Return on Equity <sup>(2)</sup>	25.6%	26.6%
Interest Coverage Ratio <sup>(3)</sup>	86.9	127.8

### 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 2020, the Group was in a net cash position of HK\$66.5 million (2019: HK\$274.7 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 2020, the Group had total cash and bank balances of HK\$928.8 million (2019: HK\$720.9 million) comprising of HK\$50.6 million, the equivalent of HK\$673.4 million denominated in US\$, the equivalent of HK\$200.8 million denominated in RMB, the equivalent of HK\$3.6 million denominated in VND and the equivalent of HK\$0.4 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\$737.2 million (2019: HK\$300 million) and the shareholder's loan of HK\$125.0 million (2019: 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 (2019: Nil).

For the year ended 31 March 2020, the Group's total assets amounted to HK\$4,813.2 million (2019: HK\$4,530.2 million) representing an increase of 6.2%. Non-current assets and current assets were HK\$1,912.4 million and HK\$2,900.8 million respectively. The above assets were financed by current liabilities of HK\$1,613.4 million, non-current liabilities of HK\$202.7 million and equity attributable to Shareholders of HK\$2,985.9 million.

### Capital expenditure

The Group had been adopting cautious measures and fine-tuned its capital expenditure in response to the market demand. During the year under review, total capital expenditure decreased by 31.9% to HK\$151.9 million (2019: HK\$223.2 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>2020</b>	2019
Current Ratio <sup>(4)</sup>	<b>1.8</b>	2.4
Quick Ratio <sup>(5)</sup>	<b>1.1</b>	1.5
Gearing Ratio <sup>(6)</sup>	<b>29.3%</b>	14.3%
Debt to Equity Ratio <sup>(7)</sup>	<b>60.6%</b>	38.6%

#### 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 2019 and 31 March 2020 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 2020.

## **Contingent Liabilities**

As at 31 March 2020, the Group had no material contingent liabilities (2019: Nil)

## **Events Subsequent to the Period**

Save as disclosed in this announcement, there was no significant event undertaken by the Company or by the Group after 31 March 2020 and up to the date of this announcement.

## **Employees and Remuneration Policies**

As at 31 March 2020, the Group had 5,197 full-time employees (2019: 5,688). There was no significant change in the Group's remuneration policy. The Group's remuneration package for its employees included salary, bonuses, allowances and retirement benefits based on the performance, skills and knowledge of each employee. The Group also provided additional benefits to its employees, for instances subsidized accommodation and meals for those working in production facilities, accident and medical insurance, etc.

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

## **PROSPECT AND OUTLOOK**

The financial performance for the year ended 31 March 2020 has been hit by few factors, including the 2019 warm winter which lowered the demand on synthetic fabrics for thermal innerwear, and the unexpected production disruption of the Panyu plant in early 2020 due to the pandemic of unprecedented COVID-19. The net profit attributable to equity holders of the Company for the year under review has recorded a decrease of 13.7%.

The temporary production halt started from Chinese New Year holidays until mid- February 2020 and the below normal production capacity due to subdued labour force after re-opening of Panyu factory, has led to the decrease in the sales revenue for February. Although the Group's factory in Panyu swiftly resumed to original production level in late February, the Company's short-term financial performance in March was hindered by postponement on delivery requested by customers arising from adjustment of their own production schedules to cope with the shops closure or lockdown in certain cities.

The business environment for the year 2020/21 is full of challenges and uncertainty. The time taken for full resurrection of the global economy is unknown, but it is estimated that the customers' demand for fabrics (generated by consumers' demand for clothing) in the first half of the financial year 2020/21 would be lower than the same period of last year. The management expect that the demand on fabrics would rebound when most of the global economic activities are back to normal and the effect of stimulus packages of various major economies kick in.

On the cost front, although the cost of yarns, dye stuff, and other raw materials are expected to fall in this financial year due to poor global economic performance due to COVID-19, the Company's cost on achieving greener production and keeping high environmental standard would be similar as previous years. The management will continue to adopt cost efficiency measures to control production cost at reasonable level. The Company constantly improves its production efficiency by streamlining of working procedures and reduce manual work by wider use of information technology.

Last year, the sales on sportswear rose by HK\$100 million, representing approximately 19.4% growth as compared with the financial year 2018/19. The management expect that the income from sales of fabrics for sportswear would comprise higher portion on the overall revenue. As disclosed previously, the Company's strategy in exploring more business on fabrics for sportswear and increasing long term production capacity by setting up a new production site in Nam Dinh, Vietnam remain unchanged. The factory is expected to be in use by end of 2022.

Since August 2019, the Company has repurchased 2.4% of its shares to improve the earning per shares ("EPS") of the Company. The Company may further repurchase the Company's shares when the management thinks fit. Despite lower profit was recorded for the year ended 31 March 2020, the management stick to its dividend practice in maintaining higher than market payout ratio to provide favorable return to its investors and shareholders as a gratitude to their long-term support.

## **SUPPLEMENTAL INFORMATION**

### **RESULTS AND DIVIDENDS**

The results of the Group for the 2020 Financial Year are set out in the consolidated statement of profit or loss on page 1 of this announcement.

An interim dividend of HK26 cents (2019: HK32 cents) per Share was paid on 18 December 2019 to the Shareholders. The Board has recommended the payment of a final dividend of HK18 cents (2019: HK25 cents) per Share. Subject to the approval of the Shareholders at the forthcoming AGM, the final dividend of HK18 cents will be paid on 27 August 2020 to the Shareholders whose names appear on the Register of Members of the Company on 17 August 2020.

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

The Register of the Members of the Company will be closed from 3 August 2020 to 6 August 2020 (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 31 July 2020. The record date which determines the Shareholder's voting right is scheduled on 3 August 2020.

The Register of the Members of the Company will be closed from 13 August 2020 to 17 August 2020 (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 2020, 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 12 August 2020.

### **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 2020 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 2020 Financial Year.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 March 2020, the Company repurchased a total of 33,091,000 Shares on the Stock Exchange at an aggregate consideration of (excluding expenses) HK\$141,801,580. Among those repurchased shares, 11,000,000 Shares were cancelled during the year ended 31 March 2020, and 22,091,000 Shares were subsequently cancelled in April 2020. 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)
		Highest	Lowest	HK\$
		HK\$	HK\$	
August 2019	1,300,000	5.20	5.08	6,676,370
September 2019	664,000	5.30	5.19	3,491,240
October 2019	132,000	5.15	5.10	677,100
January 2020	3,371,000	5.17	4.96	17,047,690
February 2020	2,370,000	5.01	4.59	11,308,630
March 2020	25,254,000	5.07	3.48	102,600,550

Subsequent to the end of the reporting period and up to the date of this announcement, the Company has repurchased a total of 2,124,000 Shares on the Stock Exchange at an aggregate consideration of (excluding expenses) of HK\$7,707,010. Such repurchased shares were subsequently cancelled on 1 April 2020 and 17 April 2020. The issued share capital of the Company was reduced by the par value thereof. Details of the repurchased after the end of the reporting period are as follows:

Month of repurchase	Number of Shares repurchased	Price per Share		Aggregate consideration (excluding expenses)
		Highest	Lowest	HK\$
		HK\$	HK\$	
April 2020	2,124,000	3.70	3.50	7,707,010

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 8 August 2019 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 2020 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 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 2020 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 2020 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 2020 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 2020 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 6 August 2020. 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**  
**WAN WAI LOI**  
*Chairman & CEO*

Hong Kong, 18 June 2020

*As at the date of this announcement, the Executive Directors are Mr. WAN Wai Loi, Mr. Masaru OKUTOMI, 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

## **GLOSSARY**

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

“2020 Financial Year”	For the year ended 31 March 2020
“AGM”	Annual General Meeting of the Company
“Articles”	The Articles of Association of the Company, as amended from time to time
“Board”	The Board of Directors of the Company
“CG Code” or “Corporate Governance Code”	The Corporate Governance Code, stated in the Appendix 14 to the Main Board Listing Rules
“China” or “PRC”	The People’s Republic of China
“Company”	Pacific Textiles Holdings Limited, an exempted company incorporated in Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“Director(s)”	The Director(s) of the Company
“Group”	The Company and its subsidiaries
“HKD” or “\$” or “HK\$”	Hong Kong Dollar
“HKSAR” or “Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“INED(s)”	The Independent Non-executive Director(s) of the Company
“Listing Rules” or “Main Board Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“LKR” or “RS”	Sri Lankan Rupee
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Main Board Listing Rules
“Panyu Plant”	the factory run by Pacific (Panyu) Textiles Limited located in Nansha of Guangzhou City, the PRC
“RMB” or “CNY”	“Renminbi/Chinese Yuan”



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