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**PACIFIC TEXTILES HOLDINGS LIMITED**

**互太紡織控股有限公司\***

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

**(Stock Code: 01382)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

The Board of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 September 2020 together with the comparative figures for the six months ended 30 September 2019.

**INTERIM FINANCIAL INFORMATION**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the six months ended 30 September 2020*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2020</b>	<b>2019</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
	<i>Note</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	3	<b>2,452,658</b>	3,025,462
Cost of sales	5	<u><b>(2,022,681)</b></u>	<u>(2,485,202)</u>
<b>Gross profit</b>		<b>429,977</b>	540,260
Other income and other gains – net	4	<b>124,156</b>	28,677
(Impairment loss)/reversal of impairment loss on trade receivables		<b>(8,026)</b>	43
Distribution and selling expenses	5	<b>(29,461)</b>	(32,479)
General and administrative expenses	5	<u><b>(92,349)</b></u>	<u>(91,871)</u>
<b>Operating profit</b>		<b>424,297</b>	444,630
Finance income		<b>3,502</b>	22,822
Finance costs		<b>(14,894)</b>	(6,083)
Share of profits of associates		<u><b>12,842</b></u>	<u>20,679</u>
<b>Profit before income tax</b>		<b>425,747</b>	482,048
Income tax expense	6	<u><b>(40,027)</b></u>	<u>(56,250)</u>
<b>Profit for the period</b>		<u><b>385,720</b></u>	<u>425,798</u>

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

For the six months ended 30 September 2020

		Six months ended 30 September	
		2020	2019
		HK\$'000	HK\$'000
	Note	(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Equity holders of the Company		375,556	412,009
Non-controlling interests		10,164	13,789
		<u>385,720</u>	<u>425,798</u>
<b>Earnings per share for profit attributable to equity holders of the Company during the period</b>			
– basic (HK\$)	7	<u>0.27</u>	<u>0.28</u>
– diluted (HK\$)	7	<u>0.27</u>	<u>0.28</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended 30 September	
		2020	2019
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
<b>Profit for the period</b>		<b>385,720</b>	<b>425,798</b>
Other comprehensive income/(loss):			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		<u>108,856</u>	<u>(127,316)</u>
<b>Total comprehensive income for the period</b>		<b><u>494,576</u></b>	<b><u>298,482</u></b>
<b>Total comprehensive income for the period attributable to:</b>			
Equity holders of the Company		482,320	284,803
Non-controlling interests		12,256	13,679
		<u>494,576</u>	<u>298,482</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2020

	30 September 2020 <i>HK\$'000</i> <b>(Unaudited)</b>	31 March 2020 <i>HK\$'000</i> <b>(Audited)</b>
<i>Note</i>		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	<b>1,406,959</b>	1,410,037
Right-of-use assets	<b>192,166</b>	110,815
Interests in associates	<b>336,253</b>	323,487
Financial assets at fair value through other comprehensive income	<b>853</b>	853
Deferred income tax assets	<b>17,301</b>	19,579
Prepayment for property, plant and equipment	<b>25,552</b>	47,586
	<b>1,979,084</b>	1,912,357
<b>Current assets</b>		
Non-current assets held for sale	<b>1,626</b>	–
Inventories	<b>1,111,091</b>	1,133,792
Trade and bills receivables	<b>1,001,134</b>	741,994
Deposits, prepayments and other receivables	<b>57,328</b>	66,701
Amounts due from associates	<b>21,443</b>	29,542
Derivative financial instruments	<b>6,092</b>	–
Short-term bank deposits	<b>–</b>	161,645
Cash and cash equivalents	<b>996,709</b>	767,143
	<b>3,195,423</b>	2,900,817
<b>Total assets</b>	<b>5,174,507</b>	4,813,174
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	<b>1,411</b>	1,435
Share premium	<b>1,303,246</b>	1,398,998
Treasury shares	<b>–</b>	(88,037)
Reserves	<b>1,902,123</b>	1,673,528
	<b>3,206,780</b>	2,985,924
<b>Non-controlling interests</b>	<b>10,888</b>	11,132
<b>Total equity</b>	<b>3,217,668</b>	2,997,056

**CONDENSED CONSOLIDATED BALANCE SHEET (cont'd)***As at 30 September 2020*

		<b>30 September 2020</b>	31 March 2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>	<b>(Unaudited)</b>	(Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		124,993	125,049
Lease liabilities		25,464	373
Deferred income tax liabilities		60,050	50,989
Other non-current payable		27,319	26,305
		<u>237,826</u>	<u>202,716</u>
<b>Current liabilities</b>			
Borrowings		733,993	737,190
Trade and bills payables	10	792,178	645,691
Accruals and other payables		156,676	183,862
Lease liabilities		6,086	771
Derivative financial instruments		1,940	6,994
Current income tax liabilities		28,140	38,894
		<u>1,719,013</u>	<u>1,613,402</u>
<b>Total liabilities</b>		<u>1,956,839</u>	<u>1,816,118</u>
<b>Total equity and liabilities</b>		<u>5,174,507</u>	<u>4,813,174</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1 BASIS OF PREPARATION

This interim condensed consolidated financial information as at and for the six-month period ended 30 September 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”. It should be read in conjunction with the annual financial statements for the year ended 31 March 2020, prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

## 2 ACCOUNTING POLICIES

The accounting policies applied to this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 March 2020 as described in those annual financial statements except that income tax is accrued using the tax rate that would be applicable to the expected total annual earnings and the adoption of new and amended standards as set out below.

- (a) The following amendments to standards are mandatory for the first time for the financial period beginning 1 April 2020 and currently relevant to the Group:

Amendments to HKFRS 3 (Revised)	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting

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

- (b) The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 April 2020 and have not been early adopted by the Group:

		<b>Effective for annual periods on or after</b>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions	1 June 2020
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope amendments	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Annual Improvements to HKFRS Standards 2018-2020		1 January 2022

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

### 3 SEGMENT INFORMATION

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

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Revenue	<b>2,452,658</b>	3,025,462
Gross profit	<b>429,977</b>	540,260
Gross profit margin (%)	<b>17.5%</b>	17.9%
EBITDA ( <i>Note i</i> )	<b>526,809</b>	542,614
EBITDA margin (%)	<b>21.5%</b>	17.9%
Operating expenses	<b>129,836</b>	124,307
Operating expenses/Revenue (%)	<b>5.3%</b>	4.1%
Profit attributable to equity holders of the Company	<b>375,556</b>	412,009
Net profit margin (%)	<b>15.3%</b>	13.6%
Total assets	<b>5,174,507</b>	4,813,174
Equity attributable to equity holders of the Company	<b>3,206,780</b>	2,985,924
Cash and bank balances	<b>996,709</b>	928,788
Borrowings	<b>858,986</b>	862,239
Inventories	<b>1,111,091</b>	1,133,792
Inventories turnover days ( <i>Note ii</i> )	<b>102</b>	83
Trade and bills receivables	<b>1,001,134</b>	741,994
Trade and bills receivables turnover days ( <i>Note iii</i> )	<b>65</b>	49
Trade and bills payables	<b>792,178</b>	645,691
Trade and bills payables turnover days ( <i>Note ii</i> )	<b>65</b>	49

### 3 SEGMENT INFORMATION (cont'd)

*Note i:*

EBITDA is defined as profit for the period before finance income, finance costs, income tax expense, depreciation and amortisation.

*Note ii:*

The turnover days are calculated by the simple average of the beginning of the period and the end of the period balances over cost of sales.

*Note iii:*

The turnover days are calculated by the simple average of the beginning of the period and the end of the period balances over revenue.

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

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
EBITDA	526,809	542,614
Depreciation	(89,670)	(77,305)
Finance income	3,502	22,822
Finance costs	(14,894)	(6,083)
Profit before income tax	<u>425,747</u>	<u>482,048</u>

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

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PRC	456,989	645,557
South East Asia	1,462,370	1,607,462
Hong Kong	165,332	266,903
Sri Lanka	85,115	202,839
Bangladesh	130,921	159,943
Others	151,931	142,758
	<u>2,452,658</u>	<u>3,025,462</u>

For the period ended 30 September 2020, the top two customers accounted for approximately 43% (2019: 41%) and 17% (2019: 16%) of the Group's revenue, respectively. No other customer individually accounted for more than 10% of the Group's revenue for the periods ended 30 September 2020 and 2019.

### 3 SEGMENT INFORMATION (cont'd)

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

	As at	
	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
PRC	1,226,054	1,248,513
Hong Kong	6,563	10,865
Vietnam	392,913	309,913
	<u>1,625,530</u>	<u>1,569,291</u>

### 4 OTHER INCOME AND OTHER GAINS – NET

	Six months ended	
	30 September 2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Other income:		
Sales of residual materials	21,480	23,219
Sub-contracting income	1,248	677
Handling income	599	1,955
Rental income	1,640	2,081
Customer compensation on order cancellation	8,061	9,654
Miscellaneous income	28,605	31,756
	<u>61,633</u>	<u>69,342</u>
Other gains/(losses) – net:		
Derivative financial instruments – forward foreign exchange contracts	6,628	(22,736)
Net foreign exchange losses	(296)	(17,448)
Net gain/(loss) on disposal of property, plant and equipment	56,191	(481)
	<u>62,523</u>	<u>(40,665)</u>
	<u>124,156</u>	<u>28,677</u>

## 5 EXPENSES BY NATURE

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Depreciation of property, plant and equipment	<b>87,410</b>	75,067
Depreciation of right-of-use assets	<b>2,260</b>	2,238
Cost of raw materials and consumables used	<b>1,778,378</b>	2,218,454
Employee benefits expenses (including directors' emoluments)	<b>228,012</b>	269,849
Reversal of provision for slow-moving and obsolete inventories	<b>(7,896)</b>	(12,630)
Utility expenses	<b>1,954</b>	1,833
Other expenses	<b>54,373</b>	54,741
	<hr/>	<hr/>
Total cost of sales, distribution and selling expenses and general and administrative expenses	<b>2,144,491</b>	2,609,552
	<hr/> <hr/>	<hr/> <hr/>

## 6 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits during the period. PRC corporate income tax ("CIT") has been provided for at the rate of 25% (2019: 25%) on the estimated assessable profits during the period. Vietnam enterprise income tax has been provided for at the rate of 20% (2019: 20%) on the estimated assessable profits during the period.

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 after offsetting prior year tax losses, followed by 50% reduction in CIT in the next four years.

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Current income tax		
– Hong Kong profits tax	<b>18,630</b>	30,034
– Overseas corporate income tax	<b>12,272</b>	13,052
Deferred income tax	<b>9,125</b>	13,164
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	<b>40,027</b>	56,250
	<hr/> <hr/>	<hr/> <hr/>

## 7 EARNINGS PER SHARE

### (a) Basic

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to the equity holders of the Company ( <i>HK\$'000</i> )	<b>375,556</b>	412,009
Weighted average number of shares in issue ( <i>thousands</i> )	<b>1,411,229</b>	1,446,349
Basic earnings per share ( <i>HK\$ per share</i> )	<b>0.27</b>	0.28

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

Shares issuable under the share option schemes are the only dilutive potential ordinary shares. A calculation is prepared to determine the number of shares that could have been acquired at fair value (determined as the average daily quoted market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is increased by the number of shares that would have been issued assuming the exercise of the share options.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to the equity holders of the Company ( <i>HK\$'000</i> )	<b>375,556</b>	412,009
Weighted average number of shares in issue ( <i>thousands</i> )	<b>1,411,229</b>	1,446,349
Adjustments for share options ( <i>thousands</i> )	—	—
	<b>1,411,229</b>	1,446,349
Diluted earnings per share ( <i>HK\$ per share</i> )	<b>0.27</b>	0.28

## 8 DIVIDENDS

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interim dividend of HK\$22 cents per share (2019: HK\$26 cents per share)	<b>310,466</b>	375,525

On 19 November 2020, the Board declared an interim dividend of HK\$22 cents per share (2019: HK\$26 cents per share) for the six-month period ended 30 September 2020. This interim dividend amounting to HK\$310,466,000 (2019: HK\$375,525,000) has not been recognised as a liability in this interim financial information.

## 9 TRADE AND BILLS RECEIVABLES

	As at	
	30 September	31 March
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	944,945	680,870
Bills receivables	<b>60,695</b>	62,686
	<b>1,005,640</b>	743,556
Less: provision for impairment of trade receivables	<b>(4,506)</b>	(1,562)
	<b>1,001,134</b>	741,994

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

Majority of the Group's sales are made with credit terms of 30 to 60 days. Trade and bills receivables, based on goods delivered date, were aged as follows:

	As at	
	30 September	31 March
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 – 60 days	917,037	732,248
61 – 120 days	85,684	10,239
121 days – 1 year	<b>2,919</b>	1,069
	<b>1,005,640</b>	743,556

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

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

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
At 1 April	1,562	3,811
Currency translation differences	25	(99)
Provision for/(reversal of) impairment of trade receivables	8,027	(44)
Write-off	(5,108)	–
	<hr/>	<hr/>
At 30 September	<b>4,506</b>	3,668
	<hr/> <hr/>	<hr/> <hr/>

## 10 TRADE AND BILLS PAYABLES

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

	As at	
	30 September	31 March
	2020	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 - 60 days	754,611	626,878
61-120 days	22,526	11,286
121 days – 1 year	15,041	7,527
	<hr/>	<hr/>
	<b>792,178</b>	645,691
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The carrying amounts of trade and bills payables approximate their fair values.

## 11 CAPITAL COMMITMENTS

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

	<b>As at</b>	
	<b>30 September</b>	31 March
	<b>2020</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Contracted but not provided for:		
Property, plant and equipment	<b>170,935</b>	130,913
Leasehold land and land use rights	–	75,513
	<u>170,935</u>	<u>206,426</u>

As at 30 September 2020, the Group did not have any significant share of capital commitments of its associates (31 March 2020: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS AND FINANCIAL REVIEW**

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

#### **Revenue**

During the period under review, the revenue of the Group was approximately HK\$2,452.7 million (2019: approximately HK\$3,025.5 million) represented a decrease of 18.9% as compared with the period ended 30 September 2019.

Revenue generated from sales of goods from different geographical locations (as determined by where the products were delivered to) is set out in note 3 to the financial information of this announcement.

Other incomes comprised, among others, sales of residual materials and government grants are set out in note 4 to the financial information of this announcement.

#### **Cost of sales**

Cost of sales of the Group was approximately HK\$2,022.7 million (2019: HK\$2,485.2 million) represented a decrease of 18.6% as compared with the period ended 30 September 2019 due to decrease in revenue.

#### **Profit**

During the period under review, profit attributable to equity holders of the Company was HK\$375.6 million (2019: approximately HK\$412.0 million) represented a decrease of 8.8% as compared with last year.

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

During the period under review, selling and distribution expenses including impairment loss on trade receivables increased to HK\$37.5 million (2019: HK\$32.4 million).

#### **Administration expenses**

The administration expenses slightly increased to HK\$92.3 million (2019: HK\$91.9 million).

#### **Finance costs**

Finance costs increased by approximately 144.8% to HK\$14.9 million (2019: HK\$6.1 million) mainly due to increase in interest expense on bank loans and net exchange loss on cash and cash equivalents.

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

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

## Income tax

The Group recorded an income tax expense of approximately HK\$40.0 million during the year under review (2019: HK\$56.3 million). The average effective tax rate of the Group was 9.4% which was lower than last year (2019: 11.7%). 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 30 September 2020, the total assets of the Group were HK\$5,174.5 million (31 March 2020: HK\$4,813.2 million) representing an increase of 7.5%. The total assets comprised non-current assets of HK\$1,979.1 million (31 March 2020: HK\$1,912.4 million) and current assets of HK\$3,195.4 million (31 March 2020: HK\$2,900.8 million). Such increase was a result of increase in trade and bills receivables, and cash and bank balances.

## Key financial ratios are set out below:

	For the six months ended 30 September	
	2020	2019
Gross Profit Margin <sup>(1)</sup>	17.5%	17.9%
Return on Equity <sup>(2)</sup>	12.0%	13.3%
Interest Coverage Ratio <sup>(3)</sup>	68.9	99.5

### Notes:

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

## Liquidity and financial resources and capital structure

As at 30 September 2020, the Group was in a net cash position of HK\$137.7 million (31 March 2020: HK\$66.5 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 30 September 2020, the Group had total cash and bank balances of HK\$996.7 million (31 March 2020: HK\$928.8 million) comprising HK\$195.5 million, the equivalent of HK\$626.1 million denominated in US\$, the equivalent of HK\$171.0 million denominated in RMB, the equivalent of HK\$3.7 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\$734.0 million (31 March 2020: HK\$737.2 million) and shareholder's loan of HK\$125.0 million (31 March 2020: HK\$125.0 million) contributed by our joint venture partner to the Vietnam subsidiary. The said shareholder's loan was of equity nature and was not repayable within one year. The Group did not pledge any of its assets for bank borrowing (31 March 2020: Nil).

For the period ended 30 September 2020, the Group's total assets amounted to HK\$5,174.5 million (31 March 2020: HK\$4,813.2 million) representing an increase of 7.5%. Non-current assets and current assets were HK\$1,979.1 million and HK\$3,195.4 million respectively. The above assets were financed by current liabilities of HK\$1,719.0 million, non-current liabilities of HK\$237.8 million and equity attributable to Shareholders of HK\$3,206.8 million.

### Capital expenditure and capital commitment

The Group had been adopting cautious measures and fine-tuned its capital expenditure in response to the market demand. During the period under review, total capital expenditure increased by 24.6% to HK\$119.2 million (2019: HK\$95.7 million) which was mainly used to purchase machinery and to finance the environmental protection projects of Panyu factory and Vietnam factory.

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

### Key liquidity or leverage ratios:

	<b>As at 30 September 2020</b>	As at 31 March 2020
Current Ratio <sup>(4)</sup>	<b>1.9</b>	1.8
Quick Ratio <sup>(5)</sup>	<b>1.2</b>	1.1
Gearing Ratio <sup>(6)</sup>	<b>27.0%</b>	29.3%
Debt to Equity Ratio <sup>(7)</sup>	<b>60.8%</b>	60.6%

#### 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 2020 and 30 September 2020 respectively.

## **Segmental Information**

Details of segmental information are set out in note 3 to the financial information of this announcement on page 6.

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

There was no material acquisition or disposal of the Company's subsidiaries, associates and joint ventures during the six months ended 30 September 2020.

## **Contingent Liabilities**

As at 30 September 2020, the Group had no material contingent liabilities (31 March 2020: Nil).

## **Events Subsequent to the Period**

There was no significant event undertaken by the Company or by the Group after 30 September 2020 and up to the date of this announcement.

## **Employees and Remuneration Policies**

As at 30 September 2020, the Group had 4,839 full-time employees (31 March 2020: 5,197). 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 operated in an extremely unpredictable and fast-moving business environment during the period under review. In particular, the globe is hit by the Covid-19 resulting in unprecedented lockdown of many cities, which slowed down people's movement, logistics and economic activities. At the first few months of the period under review, when fashion retailers had temporarily closed a large number of physical shops to contain the pandemic, the demand for fabrics for their garments dropped significantly.

Since August 2020, however, sales have been picking up. To strengthen the Company's on-going profitability, the management had streamlined the production process and reduced the number of headcounts. With effective cost reduction, the Company was able to keep the gross profit margin at above 17.5% on sales for the period even though the sales value had dropped by 19%, the drop of share of profit from associated companies by about 38%, and the increase in bad debt by around HK\$8 million (as compared with same period of last year). The Company had also realized a one-off gain of HK\$57 million on disposal of an underutilized Hong Kong property to improve overall efficiency on use of resources.

Facing the uncertainty arising from trade restrictions and new regulations, the duration of pandemic, and the currency fluctuation that may affect the profitability in the second half of financial year, the Group would continue to expand its customer bases and is in the process of taking up new customers (especially in sportswear sector) to offset the potential drop of business orders from certain existing customers due to the pandemic. The use of advanced technology and upkeep of stable quality would continue to provide confidence to the Group's customers.

At the end of the period under review, the number of Group's sales orders has been catching up with that of last year at the same period. There was a notable rebound in sales orders at the end of the period under review. Thanks to the information technology, the customers are fast adapting and have shifted their shopping channel to on-line fashion store during the temporary closure of physical shops. As there is a trend of rising demand for clothing and the sales momentum is improving, the Group is cautiously optimistic on the overall demand for functional textiles used for sportswear, gym and yoga outfit for the second half of the financial year. As the Company's expansion plan in Vietnam is underway, the production capacity of the Group will be expected to be able to satisfy further demands on high grade functional fabrics in medium term.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK22 cents per Share (2019: HK26 cents per Share) for the six months ended 30 September 2020. The interim dividend will be paid on 16 December 2020 to Shareholders whose names appear on the Register of Members of the Company at the close of business on 8 December 2020.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 4 December 2020 to 8 December 2020 (both days inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 3 December 2020.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2020, the Company repurchased a total of 2,124,000 Shares on the Stock Exchange at an aggregate consideration of (excluding expenses) HK\$7,707,010. Such repurchased shares were subsequently cancelled on 17 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) HK\$
		Highest	Lowest	
		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 six months ended 30 September 2020 and up to the date of announcement.

## CORPORATE GOVERNANCE

The Company had complied with the applicable code provisions and certain recommended best practices set out in the CG Code contained in Appendix 14 to the Listing Rules where suitable to the Company so as to enhance the corporate governance standard of the Company throughout the period for the six months ended 30 September 2020.

During the period under review, Mr. Wan Wai Loi served as Chairman of the Board and the Chief Executive Officer of the Company, 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.

## **CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the standard of Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiries of all Directors, all Directors confirmed that they had complied with the required standard set out in such Code throughout the period for the six months ended 30 September 2020.

## **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference in compliance with the CG Code. The members of the audit committee are Mr. Sze Kwok Wing, Nigel, Mr. Ng Ching Wah 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 is responsible for reviewing, overseeing and supervising the effectiveness of the Group's financial reporting process, internal control systems, risk management and whistleblowing policy. The audit committee has reviewed the unaudited condensed consolidated results of the Group for the six months ended 30 September 2020 in conjunction with management of the Company.

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

## **PUBLICATION OF FINANCIAL INFORMATION**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.pacific-textiles.com](http://www.pacific-textiles.com)). The Interim Report of the Company for the six months ended 30 September 2020 will be dispatched to the Company's Shareholders and will be available on the above websites in due course.

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

Hong Kong, 19 November 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 Interim Financial Information), unless the context otherwise requires, the following expressions shall have the following meanings:

“Articles”	The Articles of Association of the Company, as amended from time to time
“Board”	The Board of Directors of the Company
“CG Code” or “Corporate Governance Code”	The Corporate Governance Code, stated in the Appendix 14 to the Main Board Listing Rules
“China” or “PRC”	The People’s Republic of China
“Company”	Pacific Textiles Holdings Limited, an exempted company incorporated in Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“Director(s)”	The Director(s) of the Company
“Group”	The Company and its subsidiaries
“HKD” or “\$” or “HK\$”	Hong Kong Dollar
“HKSAR” or “Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“INED(s)”	The Independent Non-executive Director(s) of the Company
“Listing Rules” or “Main Board Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“LKR” or “RS”	Sri Lankan Rupee
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Main Board Listing Rules
“Panyu Plant”	The factory run by Pacific (Panyu) Textiles Limited located in Nansha of Guangzhou City, the PRC
“RMB” or “CNY”	“Renminbi/Chinese Yuan”
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)

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