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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 2021**

The Board of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2021 together with the comparative figures for the year ended 31 March 2020 as follows:

**FINANCIAL INFORMATION**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the year ended 31 March 2021*

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Revenue	2	<b>5,384,897</b>	5,476,196
Cost of sales	4	<b>(4,523,208)</b>	(4,551,618)
<b>Gross profit</b>		<b>861,689</b>	924,578
Other income and other gains/(losses) – net	3	<b>193,246</b>	146,741
(Impairment loss)/reversal of impairment of trade receivables		<b>(5,396)</b>	2,172
Distribution and selling expenses	4	<b>(80,883)</b>	(63,985)
General and administrative expenses	4	<b>(179,713)</b>	(189,919)
<b>Operating profit</b>		<b>788,943</b>	819,587
Finance income	5	<b>23,347</b>	25,435
Finance costs	5	<b>(14,572)</b>	(11,435)
Share of profits of associates		<b>40,647</b>	37,340
<b>Profit before income tax</b>		<b>838,365</b>	870,927
Income tax expense	6	<b>(103,026)</b>	(102,998)
<b>Profit for the year</b>		<b>735,339</b>	767,929
Profit attributable to:			
Equity holders of the Company		<b>721,491</b>	743,489
Non-controlling interests		<b>13,848</b>	24,440
		<b>735,339</b>	767,929
Earnings per share attributable to equity holders of the Company for the year (expressed in HK\$ per share)			
– basic	7	<b>0.51</b>	0.51
– diluted	7	<b>0.51</b>	0.51

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Profit for the year</b>	<b>735,339</b>	767,929
Other comprehensive income: <i>Items that have been or may be reclassified to profit or loss:</i>		
Currency translation differences	<b>205,368</b>	(162,317)
<b>Total comprehensive income for the year</b>	<b>940,707</b>	605,612
Attributable to:		
Equity holders of the Company	<b>923,635</b>	584,508
Non-controlling interests	<b>17,072</b>	21,104
	<b>940,707</b>	605,612

## CONSOLIDATED BALANCE SHEET

As at 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,433,276	1,410,037
Right-of-use assets		200,217	110,815
Interests in associates		347,077	323,487
Financial assets at fair value through other comprehensive income		853	853
Deferred income tax assets		15,525	19,579
Deposits for land use rights and prepayment for property, plant and equipment		71,744	47,586
		<u>2,068,692</u>	<u>1,912,357</u>
<b>Current assets</b>			
Inventories		1,223,425	1,133,792
Trade and bills receivables	9	863,552	741,994
Deposits, prepayments and other receivables		64,168	66,701
Amounts due from associates		12,605	29,542
Derivative financial instruments		15,437	–
Current income tax recoverable		6,010	–
Short-term bank deposits		11,323	161,645
Cash and cash equivalents		946,152	767,143
		<u>3,142,672</u>	<u>2,900,817</u>
<b>Total assets</b>		<u><u>5,211,364</u></u>	<u><u>4,813,174</u></u>

**CONSOLIDATED BALANCE SHEET (cont'd)***As at 31 March 2021*

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		1,411	1,435
Share premium		1,303,246	1,398,998
Treasury shares		–	(88,037)
Reserves		<u>2,033,264</u>	<u>1,673,528</u>
		<b>3,337,921</b>	2,985,924
<b>Non-controlling interests</b>		<u>15,704</u>	<u>11,132</u>
<b>Total equity</b>		<u>3,353,625</u>	<u>2,997,056</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		125,375	125,049
Lease liabilities		7,181	373
Deferred income tax liabilities		63,219	50,989
Other non-current provision		<u>37,310</u>	<u>26,305</u>
		<u>233,085</u>	202,716
<b>Current liabilities</b>			
Borrowings		645,443	737,190
Trade and bills payables	10	718,617	645,691
Accruals and other payables		165,527	183,862
Lease liabilities		34,036	771
Derivative financial instruments		3,282	6,994
Current income tax liabilities		<u>57,749</u>	<u>38,894</u>
		<u>1,624,654</u>	<u>1,613,402</u>
<b>Total liabilities</b>		<u>1,857,739</u>	<u>1,816,118</u>
<b>Total equity and liabilities</b>		<u>5,211,364</u>	<u>4,813,174</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 to existing standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for the reporting period commencing 1 April 2020:

Amendments to HKFRS 3	Definition of a business
Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest rate benchmark reform
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting

All 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 2020 and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
Amendments to HFKRS 16	Covid-19-related rent concessions	1 April 2022
Amendments to Annual Improvements Project	Annual improvements of HKFRSs 2018–2020	1 April 2022
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments	1 April 2022
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combination	1 April 2022
HKFRS 17	Insurance contracts and the related amendments	1 April 2023
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 April 2023
HK(IFRIC)-Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 April 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

None of the above new standards and amendments to standards is expected to have a material impact on the consolidated financial statements of the Group in the current or future reporting periods and on foreseeable future transactions.

## 1.2 Subsidiaries

### 1.2.1 Consolidation

Subsidiaries are entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

### (a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the aggregate fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

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

## 1.2 Subsidiaries (cont'd)

### 1.2.1 Consolidation (cont'd)

#### (a) Business combinations (cont'd)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

Intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

#### (b) Changes in ownership interests in subsidiaries without change in control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### (c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### 1.2.2 Separate financial statements

Interests in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividends received and receivable.

Impairment testing of the interests in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the financial statements of the investee's net assets including goodwill.

## 2 SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) has been identified as the executive directors of the Company collectively, who review the Group’s internal reporting in order to assess performance and allocate resources.

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

	<b>2021</b>	2020
	<b>HK\$’000</b>	HK\$’000
Revenue (recognised at a point in time)	<b>5,384,897</b>	5,476,196
Gross profit	<b>861,689</b>	924,578
Gross profit margin (%)	<b>16.0%</b>	16.9%
Operating expenses	<b>265,992</b>	251,732
Operating expenses/Revenue (%)	<b>4.9%</b>	4.6%
EBITDA ( <i>Note (i)</i> )	<b>1,010,016</b>	1,014,926
EBITDA/Revenue (%)	<b>18.8%</b>	18.5%
Finance income	<b>23,347</b>	25,435
Finance costs	<b>14,572</b>	11,435
Depreciation and amortisation (included in cost of sales and operating expenses)	<b>180,426</b>	157,999
Share of profits of associates	<b>40,647</b>	37,340
Income tax expense	<b>103,026</b>	102,998
Profit attributable to equity holders of the Company	<b>721,491</b>	743,489
Net profit margin (%)	<b>13.4%</b>	13.6%
Total assets	<b>5,211,364</b>	4,813,174
Equity attributable to equity holders of the Company	<b>3,337,921</b>	2,985,924
Cash and bank balances	<b>957,475</b>	928,788
Borrowings	<b>770,818</b>	862,239
Inventories	<b>1,223,425</b>	1,133,792
Inventory turnover days ( <i>Note (ii)</i> )	<b>95</b>	83
Trade and bills receivables	<b>863,552</b>	741,994
Trade and bills receivables turnover days ( <i>Note (iii)</i> )	<b>54</b>	49
Trade and bills payables	<b>718,617</b>	645,691
Trade and bills payables turnover days ( <i>Note (ii)</i> )	<b>55</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
EBITDA	1,010,016	1,014,926
Depreciation and amortisation	(180,426)	(157,999)
Finance income	23,347	25,435
Finance costs	(14,572)	(11,435)
Profit before income tax	<u>838,365</u>	<u>870,927</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
PRC	1,024,559	1,091,888
Vietnam	2,508,157	2,280,111
Hong Kong	326,929	466,141
America	194,063	196,208
Other Asian countries ( <i>Note (i)</i> )	710,766	648,219
Sri Lanka	216,495	371,999
India	51,354	80,529
Haiti	263,222	231,266
Africa	53,318	75,130
Others	36,034	34,705
	<u>5,384,897</u>	<u>5,476,196</u>

Note:

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

For the year ended 31 March 2021, customer A and customer B accounted for approximately 39% (2020: 37%) and 18% (2020: 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 2021 and 2020.

## 2 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 areas:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
PRC	1,263,674	1,248,513
Hong Kong	10,815	10,865
Vietnam	431,601	309,913
	<u>1,706,090</u>	<u>1,569,291</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other income:		
Sale of scrap materials	34,706	40,609
Sub-contracting income	3,208	1,889
Handling income	991	3,355
Rental income	3,216	4,046
Government grants	20,884	85,127
Sundry income	62,988	69,682
	<u>125,993</u>	<u>204,708</u>
Other gains/(losses) – net:		
Derivative financial instruments – forward foreign currency contracts	14,921	(23,063)
Gain/(loss) on disposal of right-of-use assets and property, plant and equipment ( <i>Note (i)</i> )	97,654	(8,041)
Net foreign exchange losses	(45,322)	(26,863)
	<u>67,253</u>	<u>(57,967)</u>
	<u>193,246</u>	<u>146,741</u>

*Note (i):* During the year ended 31 March 2021, the Group disposed of two properties and a carpark in Hong Kong and recognised gain on disposal of approximately HK\$100,460,000 (2020: Nil).

#### 4 EXPENSES BY NATURE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Depreciation of property, plant and equipment	175,070	153,656
Depreciation of right-of-use assets	5,356	4,343
Cost of raw materials and consumables used	3,907,029	3,897,936
Employee benefits expense (including directors' emoluments)	644,713	641,216
Operating lease payments in respect of land and buildings	121	1,648
(Reversal of provision)/provision for slow-moving and obsolete inventories, net	(17,607)	18,574
Auditor's remuneration		
– Audit services	2,906	2,906
– Non-audit services	248	225
Others	65,968	85,018
	<u>4,783,804</u>	<u>4,805,522</u>
Total cost of sales, distribution and selling expenses and general and administrative expenses	<u><u>4,783,804</u></u>	<u><u>4,805,522</u></u>

#### 5 FINANCE INCOME AND COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Finance income:		
– Bank interest income	5,297	12,172
– Net foreign exchange gain on bank loans	–	5,654
– Net foreign exchange gain on cash and cash equivalents	18,050	7,609
	<u>23,347</u>	<u>25,435</u>
Finance costs:		
– Interest expense on bank loans	(10,368)	(10,137)
– Net foreign exchange loss on bank loans	(1,470)	–
– Interest expenses arising from lease liabilities	(1,550)	(69)
– Imputed interest of provision for reinstatement cost	(1,184)	(1,229)
	<u>(14,572)</u>	<u>(11,435)</u>
Net finance income	<u><u>8,775</u></u>	<u><u>14,000</u></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% (2020: 16.5%) on the estimated assessable profits for the year. PRC enterprise income tax has been provided for at the rate of 25% (2020: 25%) on the estimated assessable profits for the year. Vietnam enterprise income tax has been provided for at the rate of 20% (2020: 20%) on the estimated assessable profits for the year. Macau enterprise income tax has been provided for at the rate of 12% 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	53,949	43,380
– Overseas income tax	36,076	68,244
Deferred tax	13,001	9,185
Over-provision in prior years	–	(17,811)
	<u>103,026</u>	<u>102,998</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.

	2021	2020
Profit attributable to equity holders of the Company (HK\$'000)	<u>721,491</u>	<u>743,489</u>
Weighted average number of shares in issue (thousands)	<u>1,411,218</u>	<u>1,443,679</u>
Basic earnings per share (HK\$ per share)	<u>0.51</u>	<u>0.51</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 2020 and 2021.

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 2020 and 2021 is the same as basic earnings per share of the respective year.

## 8 DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interim dividend paid of HK22 cents (2020: HK26 cents) ( <i>Note (i)</i> )	310,466	375,525
Proposed final dividend of HK22 cents (2020: HK18 cents) ( <i>Note (ii)</i> )	310,466	254,017
	<u>620,932</u>	<u>629,542</u>

### *Notes:*

- (i) On 19 November 2020, the Company's Board of Directors declared an interim dividend of HK22 cents per share (2020: HK26 cents) for the six-month period ended 30 September 2020. The amount was paid in December 2020.
- (ii) On 24 June 2021, the Company's Board of Directors proposed a final dividend of HK22 cents per share for the year ended 31 March 2021. This proposed dividend has not been reflected as dividend payable in the consolidated financial statements as at 31 March 2021.

## 9 TRADE AND BILLS RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	816,207	680,870
Bills receivables	49,368	62,686
	<u>865,575</u>	<u>743,556</u>
Less: Provision for impairment of trade receivables	(2,023)	(1,562)
	<u>863,552</u>	<u>741,994</u>

Majority of the Group's sales are with credit terms of 30 to 120 days. The aging analysis of trade and bills receivables based on invoice date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 60 days	653,969	732,248
61 – 120 days	208,405	10,239
121 days – 1 year	3,201	1,069
	<u>865,575</u>	<u>743,556</u>

## 10 TRADE AND BILLS PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	697,182	629,312
Bills payables	21,435	16,379
	<u>718,617</u>	<u>645,691</u>

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

Credit period granted by creditors generally ranges from 30 to 90 days. Trade and bills payables were aged as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 60 days	671,205	626,878
61 – 120 days	40,135	11,286
121 days – 1 year	7,277	7,527
	<u>718,617</u>	<u>645,691</u>

## 11 CAPITAL COMMITMENTS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contracted but not provided for:		
Property, plant and equipment	171,668	130,913
Leasehold land and land use rights	–	75,513
	<u>171,668</u>	<u>206,426</u>

At 31 March 2021, the Group did not have any significant share of capital commitments of its associates (2020: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OVERVIEW**

#### **BUSINESS AND FINANCIAL REVIEW**

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

#### **Revenue**

During the year under review, revenue of the Group was approximately HK\$5,384.9 million (2020: approximately HK\$5,476.2 million) representing a decrease of 1.7% as compared with the year ended 31 March 2020, due to impact of 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 incomes comprising, among others, sales of scrap materials and government grants are set out in note 3 to the financial information of this announcement.

There was an one-off other gain of approximately HK\$100.5 million arising from disposal of right-of-use assets and property, plant and equipment in HK during the year under review. Details of disposal 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\$4,523.2 million (2020: HK\$4,551.6 million) representing a decrease of 0.6% as compared with the year ended 31 March 2020 due to decrease in revenue.

#### **Profit**

During the year under review, profit attributable to equity holders of the Company was HK\$721.5 million (2020: approximately HK\$743.5 million) representing a decrease of 3.0% 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 including impairment loss on trade receivables increased to HK\$86.3 million (2020: HK\$61.8 million).

#### **Administration expenses**

The administration expenses slightly decreased to HK\$179.7 million (2020: HK\$189.9 million).

#### **Finance costs**

Finance costs increased by approximately 27.4% to HK\$14.6 million (2020: HK\$11.4 million) mainly due to increase in net exchange loss on cash and cash equivalents.

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

Trade receivables turnover days was 54 days while trade payables turnover days was 55 days.

## Income tax

The Group recorded an income tax expense of approximately HK\$103.0 million during the year under review (2020: HK\$103.0 million). The average effective tax rate of the Group was 12.3% which was slightly higher than last year (2020: 11.8%).

## Assets

As at 31 March 2021, the total assets of the Group were HK\$5,211.4 million (2020: HK\$4,813.2 million) representing an increase of 8.3%. The total assets comprised non-current assets of HK\$2,068.7 million (2020: HK\$1,912.4 million) and current assets of HK\$3,142.7 million (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 year ended 31 March	
	2021	2020
Gross Profit Margin <sup>(1)</sup>	16.0%	16.9%
Return on Equity <sup>(2)</sup>	21.9%	25.6%
Interest Coverage Ratio <sup>(3)</sup>	81.9	86.9

### 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 2021, the Group was in a net cash position of HK\$186.7 million (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 31 March 2021, the Group had total cash and bank balances of HK\$957.5 million (2020: HK\$928.8 million) comprising of HK\$144.7 million, the equivalent of HK\$700.2 million denominated in US\$, the equivalent of HK\$108.3 million denominated in RMB, the equivalent of HK\$3.5 million denominated in VND and the equivalent of HK\$0.8 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\$645.4 million (2020: HK\$737.2 million) and shareholder's loan of HK\$125.4 million (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 (2020: Nil).

For the year ended 31 March 2021, the Group's total assets amounted to HK\$5,211.4 million (2020: HK\$4,813.2 million) representing an increase of 8.3%. Non-current assets and current assets were HK\$2,068.7 million and HK\$3,142.7 million respectively. The above assets were financed by current liabilities of HK\$1,624.7 million, non-current liabilities of HK\$233.1 million and equity attributable to Shareholders of HK\$3,337.9 million.

### Capital expenditure and capital commitment

The Group had been adopting cautious measures and fine-tuned its capital expenditure in response to the market demand. During the year under review, total capital expenditure increased by 32.4% to HK\$202.3 million (2020: HK\$152.8 million) which was mainly due to the acquisition of land for the project of new factory in Vietnam.

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

### Key liquidity or leverage ratios:

	As at 31 March	
	2021	2020
Current Ratio <sup>(4)</sup>	1.9	1.8
Quick Ratio <sup>(5)</sup>	1.2	1.1
Gearing Ratio <sup>(6)</sup>	23.6%	29.3%
Debt to Equity Ratio <sup>(7)</sup>	<u>55.4%</u>	<u>60.6%</u>

#### 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 31 March 2021 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 2021.

### **Contingent Liabilities**

As at 31 March 2021, the Group had no material contingent liabilities (2020: Nil).

### **Events Subsequent to the Period**

There was no significant event undertaken by the Company or by the Group after 31 March 2021 and up to the date of this announcement.

### **Employees and Remuneration Policies**

As at 31 March 2021, the Group had 4,933 full-time employees (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 2021 Financial Year was an extraordinary year for textiles business. The sales volume of the Group in first half financial year was seriously affected by COVID-19 resulting from shrinking consumption level for garments, but the sales volume for certain markets has steadily resumed after the effect of economic stimulus measures of various government kicked in. Nevertheless, the trend of pandemic of COVID-19 has been unpredictable, while it seems to have subsided in certain countries, it rages in other regions. At the time of this reports, it still affects one of our major market, Japan, and the adverse effect on sales may emerge in the next few months.

As to the cost of production, the tension of trade relationship between China and the USA, combined with the widespread outbreak of pandemic in India from the fourth quarter, as well as the shortage of suitable cotton yarn, have led to the spiking of material costs. In addition, the appreciation in RMB and potential interest rate hike, overall operation cost may further escalate in future. It may take some time to absorb the cost through sales price adjustments to overcome the impact of rising costs. The high cost situation will continue in the next few months, the Group believes that the raw material cost will stabilize when the COVID-19 situation subsides.

The Group has constantly increased its efficiency to strengthen its position to overcome the change of global economic situation. The Group has realized an approximately HK\$100 million by disposal of two underutilized industrial premises in Hong Kong to release the value of the properties. Meanwhile, the Group has also adopted other cost reduction initiatives to ensure that the Group always operate in highly efficient way under disciplined budget.

Meanwhile, our efforts of expanding business in fabrics designated for leisure clothing and sportswear has been paid off. The Group is pleased with the trend of rising numbers of new customers from both mainland China and overseas, especially, in leisure clothing and sports outfit sector. The widening of customer base would enable the Group to be more resistant to the business fluctuation arising from economic downturn in certain regions. We are optimistic on the growth of PRC domestic markets. The Group is also looking forward to expanding its production base to cater for future customers demand for our quality fabrics.

The medium to long term plan of the Company is to expand our production scale to cater for future needs. Under our plan for the expanding investment in Vietnam the construction of the new factory in Nam Dinh provinces in Vietnam is expected to be completed in the second half of 2023.

Looking forward, while the Group is expanding, the Group will keep on pursuing its sustainability strategy in order to contribute towards reduction of GHG gas, an universal target on protecting our planet.

## **SUPPLEMENTAL INFORMATION**

### **RESULTS AND DIVIDENDS**

The results of the Group for the 2021 Financial Year are set out in the consolidated statement of profit or loss on page 1 of this announcement.

An interim dividend of HK22 cents (2020: HK26 cents) per Share was paid on 16 December 2020 to the Shareholders. The Board has recommended the payment of a final dividend of HK22 cents (2020: HK18 cents) per Share. Subject to the approval of the Shareholders at the forthcoming AGM, the final dividend of HK22 cents will be paid on 2 September 2021 to the Shareholders whose names appear on the Register of Members of the Company on 23 August 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of the Members of the Company will be closed from 9 August 2021 to 12 August 2021 (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 6 August 2021. The record date which determines the Shareholder's voting right is scheduled on 9 August 2021.

The Register of the Members of the Company will be closed from 19 August 2021 to 23 August 2021 (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 2021, 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 18 August 2021.

## **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 2021 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 Directors confirmed that they had complied with the required standard set out in such Code throughout the 2021 Financial Year.

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

During the year ended 31 March 2021, 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:

<b>Month of repurchase</b>	<b>Number of Shares repurchased</b>	<b>Price per Share</b>		<b>Aggregate consideration (excluding expenses) HK\$</b>
		<b>Highest HK\$</b>	<b>Lowest HK\$</b>	
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 2021 and up to the date of this 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 2021 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 2021 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 2021 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 2021 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 12 August 2021. 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, 24 June 2021

*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 Financial Information), unless the context otherwise requires, the following expressions shall have the following meanings:

“2021 Financial Year”	For the year ended 31 March 2021
“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