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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 2021**

The Board of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 September 2021 together with the comparative figures for the six months ended 30 September 2020.

**INTERIM FINANCIAL INFORMATION**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the six months ended 30 September 2021*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2021</b>	<b>2020</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
	<i>Note</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	3	<b>3,162,862</b>	2,452,658
Cost of sales	5	<b>(2,700,804)</b>	(2,022,681)
<b>Gross profit</b>		<b>462,058</b>	429,977
Other income and other gains – net	4	<b>33,644</b>	124,156
Reversal of impairment loss/(impairment loss) on trade receivables		<b>1,153</b>	(8,026)
Distribution and selling expenses	5	<b>(35,015)</b>	(29,461)
General and administrative expenses	5	<b>(87,694)</b>	(92,349)
<b>Operating profit</b>		<b>374,146</b>	424,297
Finance income		<b>5,999</b>	3,502
Finance costs		<b>(7,138)</b>	(14,894)
Share of profits of associates		<b>14,869</b>	12,842
<b>Profit before income tax</b>		<b>387,876</b>	425,747
Income tax expense	6	<b>(35,388)</b>	(40,027)
<b>Profit for the period</b>		<b>352,488</b>	385,720

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

For the six months ended 30 September 2021

		Six months ended 30 September	
		2021	2020
		HK\$'000	HK\$'000
	Note	(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Equity holders of the Company		347,662	375,556
Non-controlling interests		4,826	10,164
		<u>352,488</u>	<u>385,720</u>
<b>Earnings per share for profit attributable to equity holders of the Company during the period</b>			
– basic (HK\$)	7	<u>0.25</u>	<u>0.27</u>
– diluted (HK\$)	7	<u>0.25</u>	<u>0.27</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2021

		Six months ended 30 September	
		2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
<b>Profit for the period</b>		<b>352,488</b>	<b>385,720</b>
Other comprehensive income:			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		<u>53,483</u>	<u>108,856</u>
<b>Total comprehensive income for the period</b>		<b><u>405,971</u></b>	<b><u>494,576</u></b>
<b>Total comprehensive income for the period attributable to:</b>			
Equity holders of the Company		399,593	482,320
Non-controlling interests		6,378	12,256
		<u>405,971</u>	<u>494,576</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2021

	30 September 2021 <i>HK\$'000</i> <b>(Unaudited)</b>	31 March 2021 <i>HK\$'000</i> <b>(Audited)</b>
<i>Note</i>		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,414,619	1,433,276
Right-of-use assets	192,432	200,217
Interests in associates	345,170	347,077
Financial assets at fair value through other comprehensive income	427	853
Deferred income tax assets	17,860	15,525
Prepayment for property, plant and equipment	50,993	71,744
	<u>2,021,501</u>	<u>2,068,692</u>
<b>Current assets</b>		
Inventories	1,314,211	1,223,425
Trade and bills receivables	9 1,188,680	863,552
Deposits, prepayments and other receivables	111,454	64,168
Amounts due from associates	14,344	12,605
Derivative financial instruments	927	15,437
Tax Recoverable	–	6,010
Short-term bank deposits	116,261	11,323
Cash and cash equivalents	965,806	946,152
	<u>3,711,683</u>	<u>3,142,672</u>
<b>Total assets</b>	<u><u>5,733,184</u></u>	<u><u>5,211,364</u></u>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	1,411	1,411
Share premium	1,303,246	1,303,246
Reserves	2,122,683	2,033,264
	<u>3,427,340</u>	<u>3,337,921</u>
<b>Non-controlling interests</b>	<u>9,582</u>	<u>15,704</u>
<b>Total equity</b>	<u><u>3,436,922</u></u>	<u><u>3,353,625</u></u>

**CONDENSED CONSOLIDATED BALANCE SHEET (cont'd)***As at 30 September 2021*

	<b>30 September 2021</b>	31 March 2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
<i>Note</i>	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	125,533	125,375
Lease liabilities	7,974	7,181
Deferred income tax liabilities	71,558	63,219
Other non-current payable	38,480	37,310
	<u>243,545</u>	<u>233,085</u>
<b>Current liabilities</b>		
Borrowings	1,061,880	645,443
Trade and bills payables	10 690,688	718,617
Accruals and other payables	190,719	165,527
Lease liabilities	25,660	34,036
Derivative financial instruments	289	3,282
Current income tax liabilities	83,481	57,749
	<u>2,052,717</u>	<u>1,624,654</u>
<b>Total liabilities</b>	<u>2,296,262</u>	<u>1,857,739</u>
<b>Total equity and liabilities</b>	<u>5,733,184</u>	<u>5,211,364</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 2021 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 2021, 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 2021 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 2021 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 2021 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 beyond 30 June 2021	1 April 2021
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope amendments	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	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>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	<b>3,162,862</b>	2,452,658
Gross profit	<b>462,058</b>	429,977
Gross profit margin (%)	<b>14.6%</b>	17.5%
EBITDA ( <i>Note i</i> )	<b>483,224</b>	526,809
EBITDA margin (%)	<b>15.3%</b>	21.5%
Operating expenses	<b>121,556</b>	129,836
Operating expenses/Revenue (%)	<b>3.8%</b>	5.3%
Profit attributable to equity holders of the Company	<b>347,662</b>	375,556
Net profit margin (%)	<b>11%</b>	15.3%
Total assets	<b>5,733,184</b>	5,174,507
Equity attributable to equity holders of the Company	<b>3,427,340</b>	3,206,780
Cash and bank balances	<b>1,082,067</b>	996,709
Borrowings	<b>1,187,413</b>	858,986
Inventories	<b>1,314,211</b>	1,111,091
Inventories turnover days ( <i>Note ii</i> )	<b>86</b>	102
Trade and bills receivables	<b>1,188,680</b>	1,001,134
Trade and bills receivables turnover days ( <i>Note iii</i> )	<b>59</b>	65
Trade and bills payables	<b>690,688</b>	792,178
Trade and bills payables turnover days ( <i>Note ii</i> )	<b>48</b>	65

### 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:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
EBITDA	<b>483,224</b>	526,809
Depreciation	<b>(94,209)</b>	(89,670)
Finance income	<b>5,999</b>	3,502
Finance costs	<b>(7,138)</b>	(14,894)
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Profit before income tax	<b>387,876</b>	425,747
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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:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
PRC	<b>729,235</b>	468,948
South East Asia	<b>1,784,888</b>	1,462,370
Hong Kong	<b>156,074</b>	165,332
Sri Lanka	<b>133,006</b>	85,120
Bangladesh	<b>162,968</b>	130,921
Others	<b>196,691</b>	139,967
	<hr/>	<hr/>
	<b>3,162,862</b>	2,452,658
	<hr/> <hr/>	<hr/> <hr/>

For the period ended 30 September 2021, the top two customers accounted for approximately 41% (2020: 43%) and 13% (2020: 17%) 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 2021 and 2020.

### 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 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
PRC	1,191,792	1,263,674
Hong Kong	34,293	10,815
Vietnam	432,386	431,601
	<u>1,658,471</u>	<u>1,706,090</u>

### 4 OTHER INCOME AND OTHER GAINS – NET

	Six months ended	
	30 September 2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Other income:		
Sales of scrap materials	20,271	21,480
Sub-contracting income	1,734	1,248
Handling income	438	599
Rental income	1,604	1,640
Customer compensation on order cancellation	–	8,061
Miscellaneous income	26,354	28,605
	<u>50,401</u>	<u>61,633</u>
Other (losses)/gains – net:		
Derivative financial instruments – forward foreign exchange contracts	5,880	6,628
Net foreign exchange losses	(18,340)	(296)
Net (loss)/gain on disposal of property, plant and equipment	(4,297)	56,191
	<u>(16,757)</u>	<u>62,523</u>
	<u>33,644</u>	<u>124,156</u>



## 5 EXPENSES BY NATURE

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	91,905	87,410
Depreciation of right-of-use assets	2,304	2,260
(Reversal of)/provision for impairment of trade receivables	(1,153)	8,026
Cost of raw materials and consumables used	2,385,477	1,778,378
Employee benefits expenses (including directors' emoluments)	288,338	228,012
Provision for/(reversal of) slow-moving and obsolete inventories	8,615	(7,896)
Other expenses	46,874	56,327
	<hr/>	<hr/>
Total cost of sales, distribution and selling expenses and general and administrative expenses	<b>2,822,360</b>	<b>2,152,517</b>
	<hr/> <hr/>	<hr/> <hr/>

## 6 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits during the period. PRC corporate income tax ("CIT") has been provided for at the rate of 25% (2020: 25%) on the estimated assessable profits during the period. Vietnam enterprise income tax has been provided for at the rate of 20% (2020: 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:

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	15,999	18,630
– Overseas corporate income tax	18,146	12,272
Deferred income tax	1,243	9,125
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	<b>35,388</b>	<b>40,027</b>
	<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.

	Six months ended 30 September	
	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to the equity holders of the Company ( <i>HK\$'000</i> )	<u>347,662</u>	<u>375,556</u>
Weighted average number of shares in issue ( <i>thousands</i> )	<u>1,411,208</u>	<u>1,411,229</u>
Basic earnings per share ( <i>HK\$ per share</i> )	<u>0.25</u>	<u>0.27</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 periods ended 30 September 2020 and 2021.

Since the average market price of the Company's shares during the period is less than the assumed exercise price of the share options, the potential ordinary shares were not included in the calculation of the diluted earnings per share as their inclusion would be anti-dilutive. Accordingly, diluted earnings per share for the periods ended 30 September 2020 and 2021 is the same as basic earnings per share of the respective period.

## 8 DIVIDENDS

	Six months ended 30 September	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Interim dividend of HK\$21 cents per share (2020: HK\$22 cents per share)	<u>296,354</u>	<u>310,466</u>

On 25 November 2021, the Board declared an interim dividend of HK\$21 cents per share (2020: HK\$22 cents per share) for the six-month period ended 30 September 2021. This interim dividend amounting to HK\$296,354,000 (2020: HK\$310,466,000) has not been recognised as a liability in this interim financial information.

9 TRADE AND BILLS RECEIVABLES

	As at	
	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
Trade receivables	1,123,279	816,207
Bills receivables	<u>66,273</u>	<u>49,368</u>
	1,189,552	865,575
Less: provision for impairment of trade receivables	<u>(872)</u>	<u>(2,023)</u>
	<u><u>1,188,680</u></u>	<u><u>863,552</u></u>

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 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
0 – 60 days	1,087,728	653,969
61 – 120 days	100,676	208,405
121 days – 1 year	<u>1,148</u>	<u>3,201</u>
	1,189,552	865,575
	<u><u>1,189,552</u></u>	<u><u>865,575</u></u>

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

	Six months ended	
	30 September 2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
At 1 April	2,023	1,562
Currency translation differences	2	26
(Reversal of)/provision for impairment of trade receivables	(1,153)	8,026
Write-off	<u>–</u>	<u>(5,108)</u>
At 30 September	<u><u>872</u></u>	<u><u>4,506</u></u>

## 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 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
0 – 60 days	669,717	671,205
61 – 120 days	1,319	40,135
121 days – 1 year	19,652	7,277
	<u>690,688</u>	<u>718,617</u>

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:

	As at	
	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
Contracted but not provided for:		
Property, plant and equipment	<u>231,828</u>	<u>171,668</u>

As at 30 September 2021, the Group did not have any significant share of capital commitments of its associates (31 March 2021: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS AND FINANCIAL REVIEW**

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

#### **Revenue**

During the period under review, revenue of the Group was HK\$3,162.9 million (2020: HK\$2,452.7 million) representing an increase of approximately 29.0% as compared with the period ended 30 September 2020.

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 the announcement.

Other incomes comprised, among others, sales of scrap materials are set out in note 4 to the financial information of the announcement.

#### **Cost of sales**

Cost of sales of the Group was HK\$2,700.8 million (2020: HK\$2,022.7 million) representing an increase of approximately 33.5% as compared with the period ended 30 September 2020 due to increase of sales and inflation of raw materials and fuel cost.

#### **Profit**

During the period under review, profit attributable to equity holders of the Company was HK\$347.7 million (2020: HK\$375.6 million) representing a decrease of approximately 7.4% as compared with last year. If the one-time other gain of HK\$57.5 million arising from disposal of right-of-use of assets and property, plant and equipment in HK in comparable period is excluded, it represents an increase of approximately 9.3% in profit.

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

During the period under review, selling and distribution expenses including impairment loss on trade receivables slightly decreased to HK\$33.9 million (2020: HK\$37.5 million).

#### **Administration expenses**

The administration expenses slightly decreased to HK\$87.7 million (2020: HK\$92.3 million).

#### **Finance costs**

Finance costs decreased by approximately 52.1% to HK\$7.1 million (2020: HK\$14.9 million) mainly due to decrease in net exchange loss on cash and cash equivalents.

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

Trade receivables turnover days was 59 days while trade payables turnover days was 48 days.

## Income tax

The Group recorded an income tax expense of approximately HK\$35.4 million during the period under review (2020: HK\$40.0 million). The average effective tax rate of the Group was approximately 9.1% which was lower than last year (2020: 9.4%). The reduction in effective tax rate was mainly attributed to the benefit of PRC tax incentives resulted from research and development projects.

## Assets

As at 30 September 2021, the total assets of the Group were HK\$5,733.2 million (31 March 2021: HK\$5,211.4 million) representing an increase of approximately 10%. The total assets comprised non-current assets of HK\$2,021.5 million (31 March 2021: HK\$2,068.7 million) and current assets of HK\$3,711.7 million (31 March 2021: HK\$3,142.7 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	
	2021	2020
Gross Profit Margin <sup>(1)</sup>	14.6%	17.5%
Return on Equity <sup>(2)</sup>	10.3%	12.0%
Interest Coverage Ratio <sup>(3)</sup>	85.5	68.9

### 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 30 September 2021, the Group was in a net cash position of HK\$(105.3) million (31 March 2021: HK\$186.7 million). The reduction was due to increase in inventory level and accounts receivables, arising from increase of sales volume.

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 2021, the Group had total cash and bank balances of HK\$1,082.1 million (31 March 2021: HK\$957.5 million) comprising of HK\$110.9 million, the equivalent of HK\$706.4 million denominated in US\$, the equivalent of HK\$254.2 million denominated in RMB, the equivalent of HK\$1.4 million denominated in VND and the equivalent of HK\$9.2 million denominated in other currencies. The cash and bank balances and time deposits were to finance the Group's working capital and capital expenditure plans.

The Group had bank loans of HK\$1,061.9 million (31 March 2021: HK\$645.4 million) and shareholder's loan of HK\$125.5 million (31 March 2021: HK\$125.4 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 2021: Nil).

For the period ended 30 September 2021, the Group's total assets amounted to HK\$5,733.2 million (31 March 2021: HK\$5,211.4 million) representing an increase of approximately 10%. Non-current assets and current assets were HK\$2,021.5 million and HK\$3,711.7 million respectively. The above assets were financed by current liabilities of HK\$2,052.7 million, non-current liabilities of HK\$243.5 million and equity attributable to Shareholders of HK\$3,427.3 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 decreased by approximately 60.3% to HK\$47.4 million (2020: HK\$119.2 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 2021</b>	As at 31 March 2021
Current Ratio <sup>(4)</sup>	1.8	1.9
Quick Ratio <sup>(5)</sup>	1.2	1.2
Gearing Ratio <sup>(6)</sup>	35.2%	23.6%
Debt to Equity Ratio <sup>(7)</sup>	66.8%	55.4%

#### 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 2021 and 30 September 2021 respectively.

## **Segmental Information**

Details of segmental information are set out in note 3 to the financial information of the 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 2021.

## **Contingent Liabilities**

As at 30 September 2021, the Group had no material contingent liabilities (31 March 2021: Nil).

## **Events Subsequent to the Period**

There was no significant event undertaken by the Company or by the Group after 30 September 2021 and up to the date of this announcement.

## **Employees and Remuneration Policies**

As at 30 September 2021, the Group had 4,932 full-time employees (31 March 2021: 4,933). 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.



## **Prospects and Outlook**

The half year period ended 30 September 2021 has shown an improvement in the sales of the Group where the revenue from sales have resumed to similar level as the same period in 2019, a period prior to the pandemic of 2019 novel coronavirus disease (“COVID-19”).

The rise in consumer sentiment on consumption and the Group’s marketing effort has resulted in remarkable rise in sales to relevant customers, especially on fabrics for sportswear and lingerie. Furthermore, the Group has maintained uninterrupted operations and stable production capacity amid the pandemic of COVID-19 as there was no large scale lockdown in the areas which our factories operate, therefore, the Group has received temporarily increase in procurement orders shifted from other competitors during the period under review.

However, the profit margin was eroded as the production cost has increased sharply as compared with last year and the year before pandemic of COVID-19. The spiking price in cotton yarn and synthetic yarn and fuel in last few months, added to the inflation in wages, dyeing stuff and cost of COVID-19 prevention, have pushed the production cost per pounds of fabric to historical high. The Group would further implement energy saving measures to counteract the impact of rising fuel cost.

The indirect impact of COVID-19 remains a major challenge for the Group. Although in the second half of last year, the consumer sentiment has seemed to be largely recovered, the economic activities of most countries have not fully resumed as of now. It is also unsure whether the pandemic would affect the major end buyer markets in the coming seasons, especially COVID-19 keeps on mutating and affecting many regions of the world. The fluctuation in exchange rate and expectation on rising of interest rate, coupled with the impact of rising material costs creates further uncertainty.

The strategies of the Group for the coming second half year are to further increase variety of products, such as recycled yarn fabrics and bio-based fabrics to cater for different needs of the customers, and prudently expand our customer base without increasing credit risk exposure. With the expectation of rising interest rate in near future, the Group would cautiously review its credit risks and keep account receivables under control by appropriately adjusting its marketing policy and terms of sales.

As the Group is exploring for new business and customers, the Group’s second Vietnam factory is being constructed, the expected completion time is by end of 2023. The setting up of a new factory is a demonstration of the management’s confidence in the business potential of the Group.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK\$21 cents per Share (2020: HK\$22 cents per Share) for the six months ended 30 September 2021. The interim dividend will be paid on 22 December 2021 to Shareholders whose names appear on the Register of Members of the Company at the close of business on 14 December 2021.

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

The Register of Members will be closed from 10 December 2021 to 14 December 2021 (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 9 December 2021.

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

During the six months ended 30 September 2021, neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

### **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 2021.

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 2021.

## **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 2021 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 2021 will be dispatched to the Company's Shareholders and will be available on the above websites in due course.

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

Hong Kong, 25 November 2021

*As at the date of this announcement, the Executive Directors are Mr. Masaru OKUTOMI, Mr. WAN Wai Loi, Mr. TOU Kit Vai and Mr. Toshiya ISHII; the Non-executive Director is Mr. LAU Yiu Tong; and the Independent Non-executive Directors are Dr. CHAN Yue Kwong, Michael, Mr. NG Ching Wah, and Mr. SZE Kwok Wing, Nigel.*

\* *For identification purposes only*

## 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