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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 2022**

The Board of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 September 2022 together with the comparative figures for the six months ended 30 September 2021.

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2022

		Six months ended 30	
		September	
		2022	2021
		HK\$'000	HK\$'000
	<i>Note</i>	(Unaudited)	(Unaudited)
Revenue	3	2,761,191	3,162,862
Cost of sales	5	(2,431,952)	(2,700,804)
Gross profit		329,239	462,058
Other income and other losses – net	4	40,126	33,644
(Provision for)/reversal of impairment loss on trade receivables	5	(235)	1,153
Distribution and selling expenses	5	(21,286)	(35,015)
General and administrative expenses	5	(90,261)	(87,694)
Operating profit		257,583	374,146
Finance income		33,711	5,999
Finance costs		(20,492)	(7,138)
Share of profits of associates		16,598	14,869
Profit before income tax		287,400	387,876
Income tax expense	6	(38,499)	(35,388)
Profit for the period		248,901	352,488

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

For the six months ended 30 September 2022

		Six months ended 30 September	
		2022	2021
		HK\$'000	HK\$'000
	Note	(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Equity holders of the Company		248,179	347,662
Non-controlling interests		722	4,826
		<u>248,901</u>	<u>352,488</u>
Earnings per share for profit attributable to equity holders of the Company during the period			
– basic (HK\$)	7	<u>0.18</u>	<u>0.25</u>
– diluted (HK\$)	7	<u>0.18</u>	<u>0.25</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

		Six months ended 30 September	
		2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Profit for the period		248,901	352,488
Other comprehensive (loss)/income:			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		<u>(293,019)</u>	<u>53,483</u>
Total comprehensive (loss)/income for the period		<u>(44,118)</u>	<u>405,971</u>
Total comprehensive (loss)/income for the period attributable to:			
Equity holders of the Company		(40,053)	399,593
Non-controlling interests		<u>(4,065)</u>	<u>6,378</u>
		<u>(44,118)</u>	<u>405,971</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2022

	30 September 2022 <i>HK\$'000</i> (Unaudited)	31 March 2022 <i>HK\$'000</i> (Audited)
<i>Note</i>		
ASSETS		
Non-current assets		
Property, plant and equipment	1,304,649	1,443,149
Right-of-use assets	182,162	192,186
Interests in associates	360,651	359,368
Financial assets at fair value through other comprehensive income	427	427
Deferred income tax assets	19,632	19,240
Prepayment for property, plant and equipment	154,113	110,020
	<u>2,021,634</u>	<u>2,124,390</u>
Current assets		
Inventories	1,168,492	1,236,784
Trade and bills receivables	9 996,035	945,591
Deposits, prepayments and other receivables	104,782	46,895
Amounts due from associates	2,005	1,388
Financial assets at fair value through profit or loss	40,090	44,018
Short-term bank deposits	187,941	–
Cash and cash equivalents	1,554,437	1,545,128
	<u>4,053,782</u>	<u>3,819,804</u>
Total assets	<u><u>6,075,416</u></u>	<u><u>5,944,194</u></u>
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	1,411	1,411
Share premium	1,303,246	1,303,246
Reserves	1,877,140	2,114,468
	<u>3,181,797</u>	<u>3,419,125</u>
Non-controlling interests	7,334	11,399
Total equity	<u><u>3,189,131</u></u>	<u><u>3,430,524</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET (cont'd)

As at 30 September 2022

		30 September 2022 <i>HK\$'000</i> (Unaudited)	31 March 2022 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Borrowings		126,580	126,218
Lease liabilities		414	7,974
Deferred income tax liabilities		66,121	79,845
Other non-current payable		36,992	37,957
		230,107	251,994
Current liabilities			
Borrowings		1,590,702	1,453,683
Trade and bills payables	10	852,874	592,691
Accruals and other payables		129,963	137,778
Lease liabilities		34,799	27,141
Current income tax liabilities		47,840	50,383
		2,656,178	2,261,676
Total liabilities		2,886,285	2,513,670
Total equity and liabilities		6,075,416	5,944,194

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 2022 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 2022, which has been 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 2022 (the “Annual Financial Statement”) 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 2022 and currently relevant to the Group:

Amendments to Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020
Amendments to Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments

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

- (b) The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial period beginning 1 April 2022 and have not been early adopted by the Group:

		Effective for annual periods on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 April 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosures of Accounting Policies	1 April 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 April 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	1 April 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 April 2023
HKFRS 17	Insurance Contracts and the related amendments	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

Management is in the process of assessing the financial impact of the adoption of the above new standards, amendments to standards and interpretation. The Group will adopt the new standards, amendments to standards and interpretation 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 People's Republic of China ("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:

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	2,761,191	3,162,862
Gross profit	329,239	462,058
Gross profit margin (%)	11.9%	14.6%
EBITDA (Note ii)	370,026	483,224
EBITDA margin (%)	13.4%	15.3%
Operating expenses	111,782	121,556
Operating expenses/Revenue (%)	4.1%	3.8%
Profit attributable to equity holders of the Company	248,179	347,662
Net profit margin (%)	9.0%	11.1%
Total assets	6,075,416	5,733,184
Equity attributable to equity holders of the Company	3,181,797	3,427,340
Cash and bank balances (Including short-term bank deposits)	1,742,378	1,082,067
Borrowings	1,717,282	1,187,413
Inventories	1,168,492	1,314,211
Inventories turnover days (Note iii)	90	86
Trade and bills receivables	996,035	1,188,680
Trade and bills receivables turnover days (Note iv)	63	59
Trade and bills payables	852,874	690,688
Trade and bills payables turnover days (Note iii)	54	48

3 SEGMENT INFORMATION (cont'd)

Notes:

- (i) To supplement the condensed consolidated financial information of the Group prepared in accordance with HKAS 34, certain financial measures, including gross profit margin, EBITDA margin, net profit margin, inventories turnover days, trade and bills receivables turnover days, and trade and bills payables turnover days have been presented in this report. The Company's management believes that the financial measures provide investors with clearer view on the Group's financial information, and with useful supplementary information to assess the performance of the Group's strategic operations. Nevertheless, the use of these financial measures has limitations as an analytical tool. These financial measures should be considered in addition to, not as a substitute for, analysis of the Company's condensed consolidated financial information prepared in accordance with HKAS 34.
- (ii) EBITDA is defined as profit for the period before finance income, finance costs, income tax expense, depreciation and amortisation.
- (iii) The turnover days are calculated by the simple average of the beginning of the period and the end of the period balances over costs of sales.
- (iv) 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	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
EBITDA	370,026	483,224
Depreciation	(95,845)	(94,209)
Finance income	33,711	5,999
Finance costs	(20,492)	(7,138)
Profit before income tax	<u>287,400</u>	<u>387,876</u>

3 SEGMENT INFORMATION (cont'd)

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	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
South East Asia	1,508,351	1,784,888
PRC	659,558	729,235
Bangladesh	180,343	162,968
Sri Lanka	130,575	133,006
Hong Kong	105,935	156,074
Others	176,429	196,691
	<u>2,761,191</u>	<u>3,162,862</u>

For the period ended 30 September 2022, the top two customers accounted for approximately 46% (2021: 41%) and 18% (2021: 13%) 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 2022 and 2021.

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 2022 <i>HK\$'000</i> (Unaudited)	31 March 2022 <i>HK\$'000</i> (Audited)
PRC	1,061,642	1,259,264
Vietnam	543,631	476,242
Hong Kong	36,078	10,276
	<u>1,641,351</u>	<u>1,745,782</u>

4 OTHER INCOME AND OTHER LOSSES – NET

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Other income:		
Utilities income	21,183	15,172
Sales of scrap materials	18,126	20,271
Miscellaneous income	10,210	11,182
Sub-contracting income	2,493	1,734
Rental income	1,550	1,604
Handling income	214	438
	<u>53,776</u>	<u>50,401</u>
Other losses – net:		
Derivative financial instruments		
– forward foreign exchange contracts	617	5,880
Net foreign exchange losses	(12,287)	(18,340)
Loss on disposal of property, plant and equipment	(1,980)	(4,297)
	<u>(13,650)</u>	<u>(16,757)</u>
	<u><u>40,126</u></u>	<u><u>33,644</u></u>

5 EXPENSES BY NATURE

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	92,720	91,905
Depreciation of right-of-use assets	3,125	2,304
Provision for/(reversal of) impairment of trade receivables (Note 9)	235	(1,153)
Cost of raw materials and consumables used	2,152,584	2,385,477
Employee benefits expenses (including directors' emoluments)	248,666	288,338
Provision for slow-moving and obsolete inventories	6,667	8,615
Other expenses	39,737	46,874
Total cost of sales, distribution and selling expenses and general and administrative expenses	<u><u>2,543,734</u></u>	<u><u>2,822,360</u></u>

6 INCOME TAX EXPENSE

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

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	14,379	15,999
– Overseas corporate income tax	30,699	18,146
Deferred income tax	(6,579)	1,243
	<u>38,499</u>	<u>35,388</u>

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	
	2022	2021
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company (HK\$'000)	<u>248,179</u>	<u>347,662</u>
Weighted average number of shares in issue (thousands)	<u>1,411,208</u>	<u>1,411,208</u>
Basic earnings per share (HK\$ per share)	<u>0.18</u>	<u>0.25</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 2022 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 2022 and 2021 is the same as basic earnings per share of the respective period.

8 DIVIDENDS

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interim dividend of HK15 cents per share (2021: HK21 cents per share)	<u>211,278</u>	<u>296,354</u>

On 24 November 2022, the Board declared an interim dividend of HK15 cents per share (2021: HK21 cents per share) for the six-month period ended 30 September 2022. This interim dividend amounting to HK\$211,278,000 (2021: HK\$296,354,000) has not been recognised as a liability in this interim financial information.

9 TRADE AND BILLS RECEIVABLES

	As at	
	30 September	31 March
	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	963,650	908,056
Bills receivables	<u>34,114</u>	<u>39,140</u>
	997,764	947,196
Less: provision for impairment of trade receivables	<u>(1,729)</u>	<u>(1,605)</u>
	<u>996,035</u>	<u>945,591</u>

9 TRADE AND BILLS RECEIVABLES (cont'd)

Majority of the Group's sales are made with credit terms of 30 to 120 days. Trade and bills receivables, based on invoice date, were aged as follows:

	As at	
	30 September 2022 <i>HK\$'000</i> (Unaudited)	31 March 2022 <i>HK\$'000</i> (Audited)
0 – 60 days	871,216	700,960
61 – 120 days	122,227	242,233
121 days – 1 year	4,321	4,003
	<u>997,764</u>	<u>947,196</u>

As at 30 September 2022, the top two customers accounted for approximately 48% (As at 31 March 2022: 25%) and 22% (As at 31 March 2022: 36%), respectively, of the Group's trade and bills receivables. All other customers individually accounted for less than 6% of the Group's trade and bills receivables as at 30 September 2022 and 31 March 2022.

The fair value of trade and bills receivables approximate the net book carrying amounts.

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

	Six months ended 30 September	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
At 1 April	1,605	2,023
Currency translation differences	(111)	2
Provision for/(reversal of) impairment of trade receivables	235	(1,153)
At 30 September	<u>1,729</u>	<u>872</u>

10 TRADE AND BILLS PAYABLES

	As at	
	30 September	31 March
	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade payables	845,126	575,028
Bills payables	7,748	17,663
	<u>852,874</u>	<u>592,691</u>

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

	As at	
	30 September	31 March
	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 – 60 days	845,194	591,782
61–120 days	3,141	–
121 days – 1 year	4,539	909
	<u>852,874</u>	<u>592,691</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	31 March
	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Contracted but not provided for:		
Property, plant and equipment	<u>420,404</u>	<u>264,265</u>

As at 30 September 2022, the Group did not have any significant share of capital commitments of its associates (As at 31 March 2022: 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 approximately HK\$2,761.2 million (2021: HK\$3,162.9 million) representing a decrease of approximately 12.7% as compared with the period ended 30 September 2021, as a result of the combined effect of a decrease of 22.3% in sales volume and an increase of 12.4% in average sales price.

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 comprising, among others, sales of scrap materials and utilities income are set out in note 4 to the financial information of this announcement.

Cost of sales

Cost of sales of the Group was HK\$2,432.0 million (2021: HK\$2,700.8 million) representing a decrease of approximately 10.0% as compared with the period ended 30 September 2021 which is consistent with decrease in revenue.

Profit

During the period under review, profit attributable to equity holders of the Company was HK\$248.2 million (2021: HK\$347.7 million) representing a decrease of approximately 28.6% as compared with the period ended 30 September 2021 because of the drop in sales revenue and higher fixed cost absorption arising from lower utilization of production facilities.

Selling and distribution expenses

During the period under review, selling and distribution expenses including impairment loss on trade receivables decreased to HK\$21.5 million (2021: HK\$33.9 million).

Administration expenses

The administration expenses slightly increased to HK\$90.3 million (2021: HK\$87.7 million).

Finance costs

Finance costs increased by approximately 187.1% to HK\$20.5 million (2021: HK\$7.1 million) mainly due to increase in interest expenses and net foreign exchange loss on bank loans.

Trade receivables and trade payables turnover days

Trade receivables turnover days was 63 days while trade payables turnover days was 54 days.

Income tax

The Group recorded an income tax expense of approximately HK\$38.5 million during the period under review (2021: HK\$35.4 million). The average effective tax rate of the Group during the period under review was approximately 13.4% which was higher than the period ended 30 September 2021 (2021: 9.1%). The increase in effective tax rate was mainly attributed to (i) the decrease in PRC tax refund resulted from delay in claiming a tax benefit; and (ii) increase in non-deductible exchange loss arising from non-trade balance in Hong Kong companies compared with the period ended 30 September 2021.

Assets

As at 30 September 2022, the total assets of the Group were HK\$6,075.4 million (31 March 2022: HK\$5,944.2 million) representing an increase of approximately 2.2%. The total assets comprised non-current assets of HK\$2,021.6 million (31 March 2022: HK\$2,124.4 million) and current assets of HK\$4,053.8 million (31 March 2022: HK\$3,819.8 million). Such increase was a result of increase in prepayments, and cash and bank balances.

Key financial ratios are set out below:

	For the six months ended	
	30 September 2022	2021
Gross Profit Margin ⁽¹⁾	11.9%	14.6%
Return on Equity ⁽²⁾	7.8%	10.3%
Interest Coverage Ratio ⁽³⁾	19.5	85.5

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 period 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 2022, the Group was in a net cash position (cash and bank balances and time deposits less total borrowings) of HK\$25.1 million (31 March 2022: net debt position of HK\$34.8 million). The rise was due to decrease in accounts receivables and increase in accounts payable.

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 2022, the Group had total cash and bank balances and time deposits of HK\$1,742.4 million (31 March 2022: HK\$1,545.1 million) comprising of HK\$404.2 million, the equivalent of HK\$1,043.4 million denominated in US\$, the equivalent of HK\$283.9 million denominated in RMB, the equivalent of HK\$3.9 million denominated in VND and the equivalent of HK\$7 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\$1,590.7 million (31 March 2022: HK\$1,453.7 million) and shareholder's loan of HK\$126.6 million (31 March 2022: HK\$126.2 million) contributed by our joint venture partner to the Vietnam subsidiary. The said shareholder's loan was of equity nature and was not repayable within one year. The Group did not pledge any of its assets for bank borrowing (31 March 2022: Nil).

For the period ended 30 September 2022, the Group's total assets amounted to HK\$6,075.4 million (31 March 2022: HK\$5,944.2 million) representing an increase of approximately 2.2%. Non-current assets and current assets were HK\$2,021.6 million and HK\$4,053.8 million respectively. The above assets were financed by current liabilities of HK\$2,656.2 million, non-current liabilities of HK\$230.1 million and equity attributable to Shareholders of HK\$3,181.8 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 approximately 71.9% to HK\$81.4 million (2021: HK\$47.4 million) which was mainly used for the construction project of second Vietnam factory and to purchase machinery and to finance the environmental protection projects of Panyu factory and existing 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:

	As at 30 September 2022	As at 31 March 2022
Current Ratio ⁽⁴⁾	1.5	1.7
Quick Ratio ⁽⁵⁾	1.1	1.1
Gearing Ratio ⁽⁶⁾	54.1%	46.6%
Debt to Equity Ratio ⁽⁷⁾	90.5%	73.3%

Notes:

(4) The calculation of Current Ratio is based on current assets divided by current liabilities.

(5) The calculation of Quick Ratio is based on current assets minus inventories divided by current liabilities.

(6) The calculation of Gearing Ratio is based on total borrowings and bills payable divided by total equity multiplied by 100%.

(7) The calculation of Debt to Equity Ratio is based on total liabilities divided by total equity multiplied by 100%.

Risk Management on Foreign Exchange and Interest Exposure

The Group had been exposed to foreign exchange risk arising from various currency exposures with respect to the US Dollars, Renminbi and Vietnamese Dongs primarily. The Group managed its foreign exchange risks by performing regular review and monitoring its foreign exchange exposures. The Group would hedge against certain of its exposures in order to reduce the risk involved as appropriate.

The Group mainly operated in Hong Kong, mainland China, 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 2022 and 30 September 2022 respectively.

Segmental Information

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

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 2022.

Contingent Liabilities

As at 30 September 2022, the Group had no material contingent liabilities (31 March 2022: Nil).

Events Subsequent to the Period

There was no significant event undertaken by the Company or by the Group after 30 September 2022 and up to the date of this announcement.

Employees and Remuneration Policies

As at 30 September 2022, the Group had 4,564 full-time employees (31 March 2022: 4,697). 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 instance, 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 employees in order to enhance their incentive and motivation to work.

Prospects and Outlook

As consistent with the general global economic situation, the financial performance of the Group for the six months ended 30 September 2022 (the “**Reporting period**”) has recorded drop in sales. The sales volume has dropped by 22.3% compared with that of six months ended 30 September 2021 (the “**Corresponding Period**”). With the Company’s effort in adjusting the fabric prices upward for 12.4% for new orders which partly offset the rise in costs, the net profit attributable to equity holders of the Company for the Reporting Period has recorded a decrease of 28.6% compared with the Corresponding Period. Gross profit margin decreased from 14.6% in the Corresponding Period to 11.9% in the Reporting Period.

The decline in sales revenue was resulted from the Group’s key customers’ conservative approach. Customers tend to focus on clearing of stocks accumulated from last season and adopting lower inventory policy instead of placing large amount of new orders during the Reporting Period. Sales orders also dropped as market competition had been more than ever intense.

Under the everchanging global political and economic situation, production cost had inflated. There was a sharp increase in the costs of raw materials and fuel with unexpected speed during the Reporting Period. Added to the higher fix cost absorption due to lower utilization of production facilities in Panyu factory, the Group’s profitability during the Reporting Period was affected.

The management noticed that after the close of Reporting Period, the cost of certain materials has stabilized, however, as the cost level is still higher than normal, the financial performance in the short term might not be improved in the second half of this financial year. Despite of this, the management is optimistic to the future of the Group’s business. The Group has boosted its daily production capacity in Vietnam by 30% since the completion of expansion of production facilities in the existing Vietnam factory in October 2022. With the construction project of second Vietnam production site is on schedule, the Group’s production capacity in Vietnam could be further enhanced. The new facilities, which are expected to be completed by the end of 2023, would not only satisfy more sophisticated demand from customers, the greater scale of production in Vietnam could improve the cost structure of the Group due to economies of scale. As to the mainland China factory, the recent deprecation in RMB, may also alleviate the recent year’s increase of production cost.

Looking forward, the geopolitics, trade barrier, contractionary monetary policies of certain countries, increasing interest rate, as well as inflation, pose uncertainties and challenges to manufacturing business. The management would closely monitor the effect of changing global economic situation and continue to focus on cost reduction, flexible treasury management, and production efficiency improvement to enhance growth and improve profitability.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board has declared an interim dividend of HK15 cents per Share (2021: HK21 cents per Share) for the six months ended 30 September 2022. The interim dividend will be paid on 21 December 2022 to Shareholders whose names appear on the Register of Members of the Company at the close of business on 13 December 2022.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 9 December 2022 to 13 December 2022 (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 8 December 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2022, 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 2022.

During the period under review, Mr. Masaru Okutomi served the roles of Chairman and the Chief Executive Officer of the Company simultaneously, hence the Company did not comply with the code provision C.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. Although the roles of the chairman and the chief executive officer of the Company have not been segregated, powers and authorities have not been over-concentrated as all major decisions are made in consultation with Board members and senior management who possess the relevant knowledge and expertise, as well as appropriate Board committees. Hence, the current arrangements are subject to adequate checks and balances notwithstanding such deviation. 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 2022.

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 2022 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) and the Company (www.pacific-textiles.com). The Interim Report of the Company for the six months ended 30 September 2022 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, 24 November 2022

As at the date of this announcement, the Executive Directors are Mr. Masaru OKUTOMI, Mr. TOU Kit Vai and Mr. Kyuichi FUKUMOTO; 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