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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 2024

The Board of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2024 together with the comparative figures for the year ended 31 March 2023 as follows:

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2024

	Note	2024 HK\$'000	2023 HK\$'000
Revenue	2	4,665,165	5,018,735
Cost of sales	4	(4,241,573)	(4,528,748)
Gross profit		423,592	489,987
Other income and other gains – net (Impairment loss)/reversal of impairment of trade receivables	3	89,421 (724)	58,867 228
Distribution and selling expenses	4	(42,478)	(41,285)
General and administrative expenses	4	(194,285)	(162,136)
Operating profit		275,526	345,661
Finance income	5	42,388	49,908
Finance costs	5	(60,481)	(50,189)
Share of profits of associates		9,625	18,425
Impairment of interests in an associate		(64,196)	(46,609)
Profit before income tax		202,862	317,196
Income tax expense	6	(30,404)	(43,547)
Profit for the year		172,458	273,649
Profit attributable to:			
Equity holders of the Company		167,118	268,572
Non-controlling interests		5,340	5,077
		172,458	273,649
Earnings per share attributable to equity holders of the Company for the year (expressed in HK\$ per share)			
– basic	7	0.12	0.19
– diluted	7	0.12	0.19

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2024

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit for the year	172,458	273,649
Other comprehensive income:		
<i>Items that have been or may be reclassified to profit or loss:</i>		
Currency translation differences	(123,876)	(199,690)
Total comprehensive income for the year	48,582	73,959
Attributable to:		
Equity holders of the Company	50,113	71,645
Non-controlling interests	(1,531)	2,314
	48,582	73,959

CONSOLIDATED BALANCE SHEET

As at 31 March 2024

	<i>Note</i>	2024 HK\$'000	2023 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		2,290,690	1,544,648
Right-of-use assets		169,059	178,805
Interests in associates		251,112	315,869
Financial assets at fair value through other comprehensive income		427	427
Deferred income tax assets		17,211	19,632
Prepayments for property, plant and equipment		88,136	236,728
		2,816,635	2,296,109
Current assets			
Inventories		1,031,258	964,821
Trade and bills receivables	9	735,683	827,693
Deposits, prepayments and other receivables		86,120	91,987
Amounts due from associates		1,096	938
Financial assets at fair value through profit or loss		239	276
Short-term bank deposits		1,051	160,383
Cash and cash equivalents		893,889	1,187,110
		2,749,336	3,233,208
Total assets		5,565,971	5,529,317

CONSOLIDATED BALANCE SHEET (Cont'd)

As at 31 March 2024

	Note	2024 HK\$'000	2023 HK\$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		1,398	1,408
Share premium		1,279,221	1,295,880
Reserves		<u>1,673,653</u>	<u>1,777,576</u>
		2,954,272	3,074,864
Non-controlling interests		<u>12,182</u>	<u>13,713</u>
		2,966,454	3,088,577
LIABILITIES			
Non-current liabilities			
Borrowings		126,156	126,576
Lease liabilities		125	7,502
Deferred income tax liabilities		43,521	73,377
Other non-current liabilities		<u>181,594</u>	<u>42,320</u>
		351,396	249,775
Current liabilities			
Borrowings		1,354,491	1,320,277
Trade and bills payables	10	629,757	629,088
Accruals and other payables		178,759	182,052
Lease liabilities		7,683	25,808
Financial liabilities at fair value through profit or loss		294	77
Current income tax liabilities		<u>77,137</u>	<u>33,663</u>
		2,248,121	2,190,965
Total liabilities		<u>2,599,517</u>	<u>2,440,740</u>
Total equity and liabilities		<u>5,565,971</u>	<u>5,529,317</u>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

GENERAL INFORMATION

Pacific Textiles Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in manufacturing and trading of textile products with production base located in the People’s Republic of China (the “PRC”) and Vietnam.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 June 2024.

1 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and amended standards adopted by the Group*

The Group has applied the following amendments to standards, annual improvements and guideline for the first time for the reporting period commencing 1 April 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12 HKFRS 17	International Tax Reform – Pillar Two Model Rules Insurance Contracts and the Related Amendments

The adoption of these new and amended standards, does not have any significant change to the accounting policies or any significant effect on the results and financial position of the Group.

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

1.1 Basis of preparation (Cont'd)

(b) Amended standards and interpretations that have been issued but are not effective

The following amended standards and interpretations have been issued but are not effective for the financial year beginning on 1 April 2023 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenant	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

None of the above amended standards and interpretations 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.

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:

	2024	2023
	HK\$’000	HK\$’000
Revenue – sales of goods (recognised at a point in time) <i>(Note (iii))</i>	4,665,165	5,018,735
Gross profit	423,592	489,987
Gross profit margin (%)	9.1%	9.8%
Operating expenses	237,487	203,193
Operating expenses/Revenue (%)	5.1%	4.0%
EBITDA <i>(Note (ii))</i>	420,960	491,292
EBITDA/Revenue (%)	9.0%	9.8%
Finance income	42,388	49,908
Finance costs	60,481	50,189
Depreciation (included in cost of sales and operating expenses)	200,005	173,815
Share of profits of associates	9,625	18,425
Income tax expense	30,404	43,547
Profit attributable to equity holders of the Company	167,118	268,572
Net profit margin (%)	3.6%	5.4%
Total assets	5,565,971	5,529,317
Equity attributable to equity holders of the Company	2,954,272	3,074,864
Cash and bank balances	894,940	1,347,493
Borrowings	1,480,647	1,446,853
Inventories	1,031,258	964,821
Inventory turnover days <i>(Note (iv))</i>	86	89
Trade and bills receivables	735,683	827,693
Trade and bills receivables turnover days <i>(Note (v))</i>	61	65
Trade and bills payables	629,757	629,088
Trade and bills payables turnover days <i>(Note (iv))</i>	54	49

2 SEGMENT INFORMATION (Cont'd)

Notes:

- (i) To supplement the consolidated results of the Group prepared in accordance with HKFRS, certain non-HKFRS financial measures, including EBIDTA, EBITDA/Revenue, inventories turnover days, trade and bills receivables turnover days, and trade and bills payables turnover days have been presented in this announcement. The Company's management believes that the non-HKFRS financial measures provide investors with clearer view on the Group's financial results, and with useful supplementary information to assess the performance of the Group's strategic operations. Nevertheless, the use of these non-HKFRS financial measures has limitations as an analytical tool. These non-HKFRS financial measures should be considered in addition to, not as a substitute for, analysis of the Company's financial performance prepared in accordance with HKFRS.
- (ii) EBITDA is defined as profit for the year before finance income, finance costs, income tax expense, depreciation and amortisation.
- (iii) As at 31 March 2024, the Group has recognised contract liabilities amounting to HK\$8,332,000 (2023: HK\$7,517,000) relating to contracts with customers.
- For the year ended 31 March 2024, the Group recognised revenue of HK\$7,517,000 (2023: HK\$5,503,000) related to carried-forward contract liabilities.
- (iv) The turnover days are calculated by the simple average of the beginning of the year and the end of the year balances over costs of sales.
- (v) 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 profit before income tax is provided as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
EBITDA	420,960	491,292
Depreciation	(200,005)	(173,815)
Finance income	42,388	49,908
Finance costs	(60,481)	(50,189)
Profit before income tax	<u>202,862</u>	<u>317,196</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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Vietnam	2,329,801	2,326,189
PRC	1,151,062	1,214,692
Bangladesh	278,172	332,370
Hong Kong	139,698	203,570
Indonesia	151,641	195,452
Sri Lanka	127,470	194,871
Cambodia	178,175	156,759
America	70,845	92,656
Jordan	80,310	90,264
Africa	61,247	76,020
Haiti	36,285	64,940
India	33,738	41,007
Other Asian countries	26,039	29,567
Others non-Asian countries	682	378
	<u>4,665,165</u>	<u>5,018,735</u>

2 SEGMENT INFORMATION (Cont'd)

For the year ended 31 March 2024, customer A and customer B accounted for approximately 45% (2023: 47%) and 21% (2023: 19%) of the Group's revenue, respectively. All other customers individually accounted for less than 5% of the Group's revenue for the year ended 31 March 2024 (2023: same).

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
PRC	1,041,949	1,140,670
Vietnam	1,493,673	811,215
Hong Kong	12,690	8,723
	<u>2,548,312</u>	<u>1,960,608</u>

3 OTHER INCOME AND OTHER GAINS – NET

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Other income:		
Sale of scrap materials	26,182	31,116
Utilities income	41,709	41,589
Rental income	2,887	3,247
Government grants	4,662	7,067
Handling income	302	240
Sub-contracting income	2,765	280
Sundry income (<i>Note (i)</i>)	8,365	10,687
	<u>86,872</u>	<u>94,226</u>
Other gains – net:		
Derivative financial instruments		
– foreign currency forward contracts	255	199
Loss on disposal of property, plant and equipment	(5,035)	(3,246)
Net foreign exchange gains/(losses)	7,329	(32,312)
	<u>2,549</u>	<u>(35,359)</u>
	<u>89,421</u>	<u>58,867</u>

Note:

- (i) Sundry income represents insurance indemnity for water change of yarn, accident and missing goods.

4 EXPENSES BY NATURE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Cost of inventories	3,598,052	3,922,144
Depreciation of property, plant and equipment	194,578	167,120
Depreciation of right-of-use assets	5,427	6,695
Employee benefits expense (including directors' emoluments)	602,823	575,059
Freight charges	24,288	27,025
Lease payments for short-term and low-value leases	2,344	1,294
Auditor's remuneration		
– Audit services	3,308	3,308
– Non-audit services	461	468
Others	47,055	29,056
	<u>4,478,336</u>	<u>4,732,169</u>
Total cost of sales, distribution and selling expenses and general and administrative expenses	<u><u>4,478,336</u></u>	<u><u>4,732,169</u></u>

5 FINANCE INCOME AND COSTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Finance income:		
– Bank interest income	22,944	21,591
– Net foreign exchange gain on cash and cash equivalents	19,444	28,317
	<u>42,388</u>	<u>49,908</u>
Finance costs:		
– Interest expense on bank loans	(67,338)	(47,630)
– Net foreign exchange loss on bank loans	(257)	(1,665)
– Interest expenses arising from lease liabilities	(1,396)	(1,626)
– Imputed interest of provision for reinstatement cost	(1,619)	(1,235)
	<u>(70,610)</u>	<u>(52,156)</u>
Less: amount capitalised	10,129	1,967
	<u>(60,481)</u>	<u>(50,189)</u>
Net finance cost	<u><u>(18,093)</u></u>	<u><u>(281)</u></u>

6 INCOME TAX EXPENSE

The amount of income tax charged to the consolidated statement of profit or loss represents:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	13,774	14,997
– Overseas income tax	31,692	21,566
Over-provision in prior years	(1,992)	(2,826)
Deferred tax	(13,070)	9,810
	<u>30,404</u>	<u>43,547</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.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u>167,118</u>	<u>268,572</u>
Weighted average number of shares in issue (<i>thousands</i>)	<u>1,403,440</u>	<u>1,409,868</u>
Basic earnings per share (<i>HK\$ per share</i>)	<u>0.12</u>	<u>0.19</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 had share options to employees for the year ended 31 March 2023 which was lapsed during the year ended 31 March 2024.

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 2024 and 2023 is the same as basic earnings per share of the respective year.

8 DIVIDENDS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interim dividend paid of HK\$7 cents (2023: HK\$15 cents) (<i>Note (i)</i>)	98,211	211,278
Proposed final dividend of HK\$5 cents (2023: HK\$4 cents) (<i>Note (ii)</i>)	<u>69,940</u>	<u>56,341</u>
	<u>168,151</u>	<u>267,619</u>

Notes:

- (i) On 23 November 2023, the Company's Board of Directors declared an interim dividend of HK\$7 cents per share (2023: HK\$15 cents per share) for the six-month period ended 30 September 2023. The amount was paid in December 2023.
- (ii) On 27 June 2024, the Company's Board of Directors proposed a final dividend of HK\$5 cents (2023: HK\$4 cents) per share for the year ended 31 March 2024. This proposed dividend has not been reflected as dividend payable in the consolidated financial statements as at 31 March 2024.

9 TRADE AND BILLS RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	710,431	793,277
Bills receivables	<u>27,252</u>	<u>35,724</u>
	737,683	829,001
Less: Provision for impairment of trade and bills receivables	<u>(2,000)</u>	<u>(1,308)</u>
	<u>735,683</u>	<u>827,693</u>

9 TRADE AND BILLS RECEIVABLES (Cont'd)

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0–60 days	621,347	779,714
61–120 days	114,395	47,546
121 days–1 year	1,941	1,741
	<u>737,683</u>	<u>829,001</u>

10 TRADE AND BILLS PAYABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables	619,862	625,803
Bills payables	9,895	3,285
	<u>629,757</u>	<u>629,088</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. The aging analysis based on invoice date on trade and bills payables were aged as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0–60 days	617,640	623,186
61–120 days	10,114	595
121 days–1 year	1,848	5,307
Over 1 year	155	–
	<u>629,757</u>	<u>629,088</u>

11 CAPITAL COMMITMENTS

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Contracted but not provided for:		
Property, plant and equipment	<u>141,894</u>	<u>597,487</u>

At 31 March 2024, the Group did not have any significant share of capital commitments of its associates (2023: 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\$4,665.2 million (2023: approximately HK\$5,018.7 million) representing a decrease of 7.0% as compared with the year ended 31 March 2023, as a result of the combined effect of an increase of 2.1% in sales volume and a decrease of 8.9% 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 2 to the financial information of this announcement.

Other incomes comprising, among others, sales of scrap materials and utilities income are set out in note 3 to the financial information of this announcement.

Cost of sales

Cost of sales of the Group was approximately HK\$4,241.6 million (2023: approximately HK\$4,528.7 million) representing a decrease of 6.3% as compared with the year ended 31 March 2023 which is consistent with decrease in revenue.

Profit

During the year under review, profit attributable to equity holders of the Company was approximately HK\$167.1 million (2023: approximately HK\$268.6 million) representing a decrease of 37.8% as compared with last year.

The downturn was mainly due to various factors, including but not limited to:

- (i) higher net interest expenses of approximately HK\$34.3 million;
- (ii) preliminary operating loss incurred in the setting up stage of the new Vietnam factory of approximately HK\$34.8 million; and
- (iii) an impairment loss arising from the Company's investment in Teejay of approximately HK\$64.2 million. If the impairment loss of approximately HK\$64.2 million was excluded, it represents a decrease of approximately 26.6% in profit.

Distribution and selling expenses

During the year under review, selling and distribution expenses including impairment loss on trade receivables increased to HK\$43.2 million (2023: HK\$41.1 million).

Administration expenses

The administration expenses increased to HK\$194.3 million (2023: HK\$162.1 million), the increase was mainly due to the preliminary operating expense incurred in setting up of new Vietnam factory of approximately HK\$28.6 million.

Finance costs

Finance costs increased by approximately 20.5% to HK\$60.5 million (2023: HK\$50.2 million) mainly due to increase in interest expenses on bank loans.

Trade receivables and trade payables turnover days

Trade receivables turnover days was 61 days while trade payables turnover days was 54 days.

Income tax

The Group recorded an income tax expense of approximately HK\$30.4 million during the year under review (2023: HK\$43.5 million). The average effective tax rate of the Group during the year under review was approximately 15.0% which was higher than the year ended 31 March 2023 (2023: 13.7%). The increase in effective tax rate was mainly attributed to the decrease in profit before income tax resulted from (i) the decrease in share of profits of associates; and (ii) an impairment loss arising from the Company's investment in Teejay Lanka PLC compared with the year ended 31 March 2023.

Assets

As at 31 March 2024, the total assets of the Group were HK\$5,566.0 million (2023: HK\$5,529.3 million) representing an increase of approximately 0.7%. The total assets comprised non-current assets of HK\$2,816.6 million (2023: HK\$2,296.1 million) and current assets of HK\$2,749.3 million (2023: HK\$3,233.2 million).

Key financial ratios are set out below:

	For the year ended 31 March	
	2024	2023
Gross Profit Margin ⁽¹⁾	9.1%	9.8%
Return on Equity ⁽²⁾	5.8%	8.9%
Interest Coverage Ratio ⁽³⁾	4.0	7.7

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 2024, the Group was in a net debt position (cash and bank balances and time deposits less total borrowings) of HK\$585.7 million (2023: net debt position of HK\$99.4 million). The increase in a net debt position was due to acquisition of property, plant and equipment as the construction project of second Vietnam production site is on schedule.

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 2024, the Group had total cash and bank balances of HK\$894.9 million (2023: HK\$1,347.5 million) comprising of HK\$27.2 million, the equivalent of HK\$735.9 million denominated in US\$, the equivalent of HK\$122.8 million denominated in RMB, the equivalent of HK\$8.6 million denominated in VND and the equivalent of HK\$0.4 million denominated in other currencies. The cash and bank balances and time deposits were to finance the Group's working capital and capital expenditure plans.

The Group had bank loans of HK\$1,354.5 million (2023: HK\$1,320.3 million) and shareholder's loan of HK\$126.2 million (2023: HK\$126.6 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 (2023: Nil).

For the year ended 31 March 2024, the Group's total assets amounted to HK\$5,566.0 million (2023: HK\$5,529.3 million) representing an increase of 0.7%. Non-current assets and current assets were HK\$2,816.6 million and HK\$2,749.3 million respectively. The above assets were financed by current liabilities of HK\$2,248.1 million, non-current liabilities of HK\$351.4 million and equity attributable to Shareholders of HK\$2,954.3 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 year under review, total capital expenditure increased by 178.0% to HK\$1,012.9 million (2023: HK\$364.3 million) which was mainly due to the construction project of second Vietnam factory in the amount of approximately HK\$838.0 million.

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	
	2024	2023
Current Ratio ⁽⁴⁾	1.2	1.5
Quick Ratio ⁽⁵⁾	0.8	1.0
Gearing Ratio ⁽⁶⁾	50.2%	47.0%
Debt to Equity Ratio ⁽⁷⁾	87.6%	79.0%

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 2023 and 31 March 2024 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 2024.

Contingent Liabilities

As at 31 March 2024, the Group had no material contingent liabilities (2023: Nil).

Events Subsequent to the Period

There was no significant event undertaken by the Company or by the Group after 31 March 2024 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2024, the Group had 4,874 full-time employees (2023: 4,484). 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.

PROSPECT AND OUTLOOK

The financial year ended 31 March 2024 showed a drop in profit attributable to shareholders. The fierce competition continued in the textile industry and customers' demand was weak. There were more factors which caused the downturn, inter alia, higher net interest expenses, preliminary operating loss incurred in the setting up stage of the new Vietnam factory, and the impairment loss relating to Teejay (an associate of the Company).

After a year of high interest rate in major currencies, the management expects that the average interest rate and net interest expenses of the Group for the coming financial year will drop as certain existing banking facilities will be replaced by lower cost facilities in 2024/25, and there will be slight downward adjustments on the interest rate of major currencies.

The share of the results of and the impairment loss relating to Teejay is non-cash in nature, and will not have any impact on the Company's cashflow and operation. The Company is confident in the outlook of Teejay and believes in the continuous recovery of Sri Lanka's economy and the business prospect of Teejay. The impairment loss for the coming financial year, if any, is estimated to be immaterial.

Some of our key customers had cleared their accumulated stock, resulting in rising demand. The issues of low utilization rate of Panyu Factory during the financial year has been eased from March 2024 and is on the rise in financial year of 2024/25. As orders to be placed with Panyu Factory by respective brand owners are expected to increase, the management is optimistic on gradual improvement in the financial performance of the Panyu Factory.

As to the operation in South-east Asia region, the Group's factory in Hai Doung Province of Vietnam, has been operating at close to full capacity level and the management believes that the trend shall continue in 2024/25.

It is with great delight that the Group's new factory in Nam Dinh Province of Vietnam, has started its pilot production in April 2024, and is scheduled to launch full scale production in the second half of financial year ending 31 March 2025. This new factory will sharpen the Group's competitiveness. It will not only increase the overall production capacity of the Group, but also strengthen the Group's capability in providing new products and services. During the time of preparation, the management has made detailed planning on the role and capabilities of this new factory for both short term and long-term development of the Group.

With an additional factory in Vietnam, the Group will be in a better position to cope with the changing market environment. The Group's three factories will each play different roles in business development and cater for customers' need of different groups. The management of the Group would be able to adopt more cost-effective strategies based on multi-site operation through economies of scales. The management believes that as a result of the surge in production capacity and more flexible resources deployment, satisfying customers increasing demands for new products, the revenue and the profit attributable to equity holders of the Company will show an upturn in 2024/25.

Our vision "to make the world a more comfortable and better place through our products" is reflected in our environmental, social and governance goals. During the year, the Company continued to implement its sustainability strategy and adopted measures to enhance its long-term sustainability goals. In order to increase the level of renewable energy usage, our Panyu Factory has kick-offed a solar energy project. We will further expand the renewable energy project to the Group's factory in Hai Doung Province, Vietnam. Please refer to the Company's Report on Environmental, Social and Governance for the Reporting Period for details of the Group's sustainability efforts.

Geopolitics, inflation, interest expenses, and customers' sourcing policies will remain challenging in short term. Nevertheless, the management will persistently adopt our strategies in boosting demand by developing creative and innovating products, diversifying merchandise portfolio through penetrating into new markets, adopting prudent financial policies and treasury management, and cutting cost by redeployment of resources and streamlining production process.

The management is expecting a rebound in sales and profitability in Financial Year of 2024/25, followed by a mid-term growth trajectory.

SUPPLEMENTAL INFORMATION

RESULTS AND DIVIDENDS

The results of the Group for the 2024 Financial Year are set out in the consolidated statement of profit or loss on page 1 of this announcement.

An interim dividend of HK7 cents (2023: HK15 cents) per Share was paid on 20 December 2023 to the Shareholders. The Board has recommended the payment of a final dividend of HK5 cents (2023: HK4 cents) per Share. Subject to the approval of the Shareholders at the forthcoming AGM, the final dividend of HK5 cents will be paid on 5 September 2024 to the Shareholders whose names appear on the Register of Members of the Company on 26 August 2024.

The Board intends to maintain long term return for shareholders. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into consideration of various factors, such as the financial results of the operation, general financial condition of the Group, future funding requirements on capital, business operations and development, general market conditions, interest of shareholders as a whole, legal requirements, and other conditions that the Board deems relevant.

CLOSURE OF REGISTER OF MEMBERS

The Register of the Members of the Company will be closed from 12 August 2024 to 15 August 2024 (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 9 August 2024. The record date which determines the Shareholder's voting right is scheduled on 12 August 2024.

The Register of the Members of the Company will be closed from 22 August 2024 to 26 August 2024 (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 2024, 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 21 August 2024.

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 C1 to the Listing Rules where suitable to the Company so as to enhance the corporate governance standard of the Company throughout the 2024 Financial Year.

During the year, 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the standard of Model Code as set out in Appendix C3 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 2024 Financial Year.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 March 2024, the Company repurchased a total of 9,730,000 shares on the Stock Exchange at an aggregate consideration of (excluding expenses) HK\$16,578,090. Among those repurchased shares, 5,513,000 repurchased shares were cancelled on 2 August 2023, and 4,217,000 shares were subsequently cancelled on 27 December 2023. The issued share capital of the Company was reduced by the par value thereof.

Details of the repurchases of shares were as follows:

Month of repurchase	Number of Shares repurchased	Price per Share		Aggregate consideration (excluding expenses)
		Highest HK\$	Lowest HK\$	HK\$
June 2023	800,000	1.94	1.85	1,505,500
July 2023	4,713,000	1.97	1.78	8,942,700
November 2023	2,014,000	1.47	1.45	2,931,040
December 2023	2,203,000	1.46	1.45	3,198,850

The repurchase of shares was made by the Directors, pursuant to the general mandate granted by the Shareholders at the annual general meetings held on 11 August 2022 and 10 August 2023 respectively 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 2024 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 C1 to the Listing Rules. The members of the Audit Committee are Mr. Sze Kwok Wing, Nigel, Mr. Ng Ching Wah, Dr. Chan Yue Kwong, Michael and Ms. Ling Chi Wo Teresa (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 2024 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 C1 to the Listing Rules, an amended and restated terms of reference for Audit Committee was effective from 1 January 2019.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect 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 year ended 31 March 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by 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 opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF FINANCIAL INFORMATION

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.pacific-textiles.com). The annual report of the Company for the 2024 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 15 August 2024. The Notice of AGM will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.pacific-textiles.com) and sent to the shareholders of the Company in due course.

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

Hong Kong, 27 June 2024

As at the date of this announcement, the Executive Directors are Mr. Masaru OKUTOMI, Mr. TOU Kit Vai and Mr. Kyuichi FUKUMOTO; the Independent Non-executive Directors are Dr. CHAN Yue Kwong, Michael, Mr. NG Ching Wah, Mr. SZE Kwok Wing, Nigel and Ms. LING Chi Wo Teresa.

* *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:

“2024 Financial Year”	For the year ended 31 March 2024
“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 C1 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 C3 to the Main Board Listing Rules
“China Nansha Plant” or “Panyu Plant” or “Panyu Factory”	The factory run by Pacific (Panyu) Textiles Limited located in Nansha District of Guangzhou City, the PRC
“RMB” or “CNY”	“Renminbi/Chinese Yuan”

“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“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
“Shareholder(s)”	The Company’s Shareholder(s)
“Shares”	Shares of the Company, with a nominal value of HK\$0.001 each
“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