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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 2024**

The Board of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 September 2024 together with the comparative figures for the six months ended 30 September 2023.

INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2024

		Six months ended	
		30 September	
		2024	2023
		HK\$'000	HK\$'000
	<i>Note</i>	(Unaudited)	(Unaudited)
Revenue	3	2,667,177	2,294,749
Cost of sales	5	(2,467,091)	(2,080,804)
Gross profit		200,086	213,945
Other income and other gain/(losses) – net	4	38,243	52,960
Provision for impairment loss on trade receivables		(2,289)	(632)
Distribution and selling expenses	5	(27,358)	(18,323)
General and administrative expenses	5	(78,450)	(82,826)
Operating profit		130,232	165,124
Finance income		16,223	29,065
Finance costs		(34,226)	(34,581)
Share of profits of associates		7,316	1,620
Impairment of interests in an associate		–	(10,000)
Profit before income tax		119,545	151,228
Income tax expense	6	(15,355)	(22,980)
Profit for the period		104,190	128,248

* For identification purposes only

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

For the six months ended 30 September 2024

		Six months ended 30 September	
		2024	2023
		HK\$'000	HK\$'000
	Note	(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Equity holders of the Company		106,862	124,463
Non-controlling interests		(2,672)	3,785
		<u>104,190</u>	<u>128,248</u>
Earnings per share for profit attributable to equity holders of the Company during the period			
– basic (HK\$)	7	<u>0.08</u>	<u>0.09</u>
– diluted (HK\$)	7	<u>0.08</u>	<u>0.09</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2024

		Six months ended 30 September	
		2024	2023
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Profit for the period		104,190	128,248
Other comprehensive loss:			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		<u>6,601</u>	<u>(146,956)</u>
Total comprehensive income/(loss) for the period		<u>110,791</u>	<u>(18,708)</u>
Total comprehensive income/(loss) for the period attributable to:			
Equity holders of the Company		113,351	(17,592)
Non-controlling interests		<u>(2,560)</u>	<u>(1,116)</u>
		<u>110,791</u>	<u>(18,708)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2024

	30 September 2024 <i>HK\$'000</i> (Unaudited)	31 March 2024 <i>HK\$'000</i> (Audited)
<i>Note</i>		
ASSETS		
Non-current assets		
Property, plant and equipment	2,301,656	2,290,690
Right-of-use assets	165,816	169,059
Interests in associates	9 250,915	251,112
Financial assets at fair value through other comprehensive income	427	427
Deferred income tax assets	19,491	17,211
Prepayment for property, plant and equipment	94,445	88,136
	<u>2,832,750</u>	<u>2,816,635</u>
Current assets		
Inventories	1,125,113	1,031,258
Trade and bills receivables	10 989,154	735,683
Deposits, prepayments and other receivables	64,725	86,120
Amounts due from associates	3,146	1,096
Financial assets at fair value through profit or loss	–	239
Short-term bank deposits	316	1,051
Cash and cash equivalents	548,091	893,889
	<u>2,730,545</u>	<u>2,749,336</u>
Total assets	<u><u>5,563,295</u></u>	<u><u>5,565,971</u></u>
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	1,395	1,398
Share premium	1,274,100	1,279,221
Reserves	1,717,216	1,673,653
	<u>2,992,711</u>	<u>2,954,272</u>
Non-controlling interests	<u>9,622</u>	<u>12,182</u>
Total equity	<u><u>3,002,333</u></u>	<u><u>2,966,454</u></u>

CONSOLIDATED BALANCE SHEET (Cont'd)

As at 30 September 2024

	30 September 2024	31 March 2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Note</i>	(Unaudited)	(Audited)
LIABILITIES		
Non-current liabilities		
Borrowings	125,299	126,156
Lease liabilities	–	125
Deferred income tax liabilities	49,554	43,521
Other non-current liabilities	150,832	181,594
	<u>325,685</u>	<u>351,396</u>
	<u>325,685</u>	<u>351,396</u>
Current liabilities		
Borrowings	1,096,896	1,354,491
Trade and bills payables	872,825	629,757
Accruals and other payables	180,128	178,759
Lease liabilities	7,547	7,683
Financial liabilities at fair value through profit or loss	–	294
Current income tax liabilities	77,881	77,137
	<u>2,235,277</u>	<u>2,248,121</u>
	<u>2,235,277</u>	<u>2,248,121</u>
Total liabilities	<u>2,560,962</u>	<u>2,599,517</u>
	<u>2,560,962</u>	<u>2,599,517</u>
Total equity and liabilities	<u>5,563,295</u>	<u>5,565,971</u>
	<u>5,563,295</u>	<u>5,565,971</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 2024 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 2024, 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 2024 (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 group has applied the following new and amended standards the financial period beginning 1 April 2024 and currently relevant to the Group:

HKAS 1	Classification of Liabilities as Current or Noncurrent (amendments)
HKAS 1	Non-current Liabilities with Covenants (amendments)
HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)
HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (amendments)
HKAS7 and HKFRS 7	Supplier Finance Arrangements (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 and amended standards and interpretations have been issued but are not effective for the financial period beginning 1 April 2024 and have not been early adopted by the Group:

		Effective for annual periods on or after
HKAS 21 and HKFRS 1	Lack of Exchangeability (amendments)	1 April 2025
HKFRS 9 and HKFRS 7	Amendments to the Classification and measurement of Financial Instruments (amendments)	1 April 2026
HKFRS 18	Presentation and Disclosure in Financial Statements (new standard)	1 April 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures (new standard)	1 April 2027
HK Int 5	Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (amendments)	1 April 2027
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	A date to be determined by the IASB

Management is in the process of assessing the financial impact of the adoption of the above new and amended standards and interpretations. The Group will adopt the new and amended standards and interpretations 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:

	Six months ended 30 September	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	2,667,177	2,294,749
Gross profit	200,086	213,945
Gross profit margin (%)	7.5%	9.3%
EBITDA (<i>Note ii</i>)	251,040	254,987
EBITDA margin (%)	9.4%	11.1%
Operating expenses	108,097	101,781
Operating expenses/Revenue (%)	4.1%	4.4%
Profit attributable to equity holders of the Company	106,862	124,463
Net profit margin (%)	4.0%	5.4%
Total assets	5,563,295	5,375,191
Equity attributable to equity holders of the Company	2,992,711	2,990,658
Cash and bank balances	548,407	815,528
Borrowings	1,222,195	1,280,994
Inventories	1,125,113	990,101
Inventories turnover days (<i>Note iii</i>)	80	86
Trade and bills receivables	989,154	865,465
Trade and bills receivables turnover days (<i>Note iv</i>)	59	67
Trade and bills payables	872,825	730,759
Trade and bills payables turnover days (<i>Note iii</i>)	56	60

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 announcement. 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	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
EBITDA	251,040	254,987
Depreciation	(113,492)	(98,243)
Finance income	16,223	29,065
Finance costs	(34,226)	(34,581)
Profit before income tax	<u>119,545</u>	<u>151,228</u>

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

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
South East Asia	1,586,835	1,255,195
PRC	756,880	607,578
Bangladesh	70,258	141,583
Sri Lanka	66,476	81,153
Hong Kong	39,782	86,440
Others	146,946	122,800
	<u>2,667,177</u>	<u>2,294,749</u>

For the period ended 30 September 2024, the top two customers accounted for approximately 43% (2023: 47%) and 21% (2023: 19%) 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 2024 and 2023.

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 2024 <i>HK\$'000</i> (Unaudited)	31 March 2024 <i>HK\$'000</i> (Audited)
Vietnam	1,522,773	1,493,673
PRC	1,015,362	1,041,949
Hong Kong	24,209	12,690
	<u>2,562,344</u>	<u>2,548,312</u>

4 OTHER INCOME AND OTHER GAIN/(LOSSES) – NET

	Six months ended 30 September	
	2024 <i>HK\$'000</i> (Unaudited)	2023 <i>HK\$'000</i> (Unaudited)
Other income:		
Utilities income	20,476	22,791
Sales of scrap materials	14,041	13,765
Sundry income	3,450	1,332
Sub-contracting income	2,904	1,234
Rental income	1,832	1,364
Government grants	1,977	1,650
Handling income	19	88
Consultancy fee	1,047	940
	<u>45,746</u>	<u>43,164</u>
Other gain/(losses) – net:		
Losses on derivative financial instruments		
– forward foreign exchange contracts	–	(63)
Net foreign exchange (losses)/gains	(159)	12,767
Loss on disposal of property, plant and equipment	(4,236)	(2,908)
Impairment loss of property, plant and equipment	(3,108)	–
	<u>(7,503)</u>	<u>9,796</u>
	<u>38,243</u>	<u>52,960</u>

5 EXPENSES BY NATURE

	Six months ended 30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	110,497	95,365
Depreciation of right-of-use assets	2,995	2,878
Cost of raw materials and consumables used	2,139,196	1,824,061
Employee benefits expenses (including directors' emoluments)	239,311	218,247
Provision for/(reversal of) slow-moving and obsolete inventories	13,397	(12,861)
Other expenses	67,503	54,263
	<u>2,572,899</u>	<u>2,181,953</u>
Total cost of sales, distribution and selling expenses and general and administrative expenses	<u>2,572,899</u>	<u>2,181,953</u>

6 INCOME TAX EXPENSE

Income tax expense is recognised based on management best estimate of the weighted average annual income tax rates expected for the full financial year. The amount of income tax expense in the condensed consolidated statement of profit or loss represents:

	Six months ended 30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	1,054	9,199
– Overseas corporate income tax	13,344	10,298
– Over-provision in prior years	(2,840)	–
Deferred income tax	3,797	3,483
	<u>15,355</u>	<u>22,980</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	
	2024	2023
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company (<i>HK\$'000</i>)	<u>106,862</u>	<u>124,463</u>
Weighted average number of shares in issue (<i>thousands</i>)	<u>1,397,269</u>	<u>1,405,208</u>
Basic earnings per share (<i>HK\$ per share</i>)	<u>0.08</u>	<u>0.09</u>

7 EARNINGS PER SHARE (Cont'd)

(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 outstanding options issued under the Share Option Scheme for the period ended 30 September 2023 which was expired on 10 October 2023.

For the period ended 30 September 2023, 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. For the period ended 30 September 2024, there are no potential dilutive shares in issue during the period. Accordingly, diluted earnings per share for the periods ended 30 September 2023 and 2024 is the same as basic earnings per share of the respective period.

8 DIVIDENDS

	Six months ended 30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interim dividend of HK\$7 cents per share (2023: HK\$7 cents per share)	97,703	98,211

On 21 November 2024, the Board declared an interim dividend of HK\$7 cents per share (2023: HK\$7 cents per share) for the six-month period ended 30 September 2024. This interim dividend amounting to HK\$97,703,000 (2023: HK\$98,211,000) has not been recognised as a liability in this interim financial information.

9 INTERESTS IN ASSOCIATES AND BALANCES WITH ASSOCIATES

Movement in interests in associates is as follows:

	Six months ended 30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Balance at 1 April	251,112	315,869
Share of profit for the period	7,316	1,620
Dividends received from associates	(7,513)	(10,183)
Currency translation differences	–	(2)
Impairment of interest in an associate	–	(10,000)
Balance at 30 September	250,915	297,304

Notes: As at 30 September 2024, the recoverable amount of the interests in PT Sri Lanka was approximately HK\$226,470,000 (At 31 March 2024: HK\$212,492,000), which is higher than its net carrying amount of approximately HK\$213,677,000 (At 31 March 2024: lower than its net carrying amount of approximately HK\$276,688,000). Consequently, no impairment loss was recognised in the consolidated statement of profit or loss (At 31 March 2024: HK\$64,196,000). Reversal of impairment loss on the interest in an associate is expected to be recognised to the profit or loss once the reversal reflects an increase in the estimated service potential of that interest in an associate, either from use or from sale, since the date when the Group last recognised an impairment loss.

10 TRADE AND BILLS RECEIVABLES

	As at	
	30 September 2024 <i>HK\$'000</i> (Unaudited)	31 March 2024 <i>HK\$'000</i> (Audited)
Trade receivables	962,563	710,431
Bills receivables	30,893	27,252
	<u>993,456</u>	<u>737,683</u>
Less: provision for impairment of trade and bill receivables	<u>(4,302)</u>	<u>(2,000)</u>
	<u>989,154</u>	<u>735,683</u>

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 2024 <i>HK\$'000</i> (Unaudited)	31 March 2024 <i>HK\$'000</i> (Audited)
0–60 days	880,213	621,347
61–120 days	106,666	114,395
121 days–1 year	6,577	1,941
	<u>993,456</u>	<u>737,683</u>

As at 30 September 2024, the top two customers accounted for approximately 48% (As at 31 March 2024: 38%) and 15% (As at 31 March 2024: 24%), respectively, of the Group's trade and bills receivables. All other customers individually accounted for less than 8% (As at 31 March 2024: 6%) of the Group's trade and bills receivables as at 30 September 2024 and 31 March 2024.

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	
	2024 <i>HK\$'000</i> (Unaudited)	2023 <i>HK\$'000</i> (Unaudited)
At 1 April	2,000	1,308
Currency translation differences	13	(41)
Provision for impairment of trade and bill receivables	<u>2,289</u>	<u>632</u>
At 30 September	<u>4,302</u>	<u>1,899</u>

11 TRADE AND BILLS PAYABLES

	As at	
	30 September 2024 <i>HK\$'000</i> (Unaudited)	31 March 2024 <i>HK\$'000</i> (Audited)
Trade payables	869,300	619,862
Bills payables	3,525	9,895
	<u>872,825</u>	<u>629,757</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 2024 <i>HK\$'000</i> (Unaudited)	31 March 2024 <i>HK\$'000</i> (Audited)
0–60 days	867,771	617,640
61–120 days	1,346	10,114
121 days–1 year	3,708	1,848
Over 1 year	–	155
	<u>872,825</u>	<u>629,757</u>

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

12 CAPITAL COMMITMENTS

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

	As at	
	30 September 2024 <i>HK\$'000</i> (Unaudited)	31 March 2024 <i>HK\$'000</i> (Audited)
Contracted but not provided for:		
Property, plant and equipment	<u>175,558</u>	<u>141,894</u>

As at 30 September 2024, the Group did not have any significant share of capital commitments of its associates (As at 31 March 2024: 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\$2,667.2 million (2023: approximately HK\$2,294.7 million) representing an increase of approximately 16.2% as compared with the period ended 30 September 2023, as a result of the combined effect of an increase of 21.9% in sales volume and a decrease of 4.7% 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 approximately HK\$2,467.1 million (2023: approximately HK\$2,080.8 million) representing an increase of 18.6% as compared with the period ended 30 September 2023 which was consistent with increase in revenue.

Profit

During the period under review, the profit attributable to equity holders of the Company was approximately HK\$106.9 million (2023: approximately HK\$124.5 million) representing a decrease of approximately 14.1% as compared with the period ended 30 September 2023.

The downturn during the period under review was mainly due to various factors, including but not limited to:

- (i) the loss of approximately HK\$48 million incurred at the preliminary operating stage of the newly established Vietnam Nam Dinh Plant before shifting to its bulk production from September 2024;
- (ii) the negative impact of approximately HK\$12 million during the period under review on temporary suspension of production and damage of the Vietnam Hai Duong Plant resulting from the hit of Typhoon Yagi in early September 2024; and
- (iii) the shrinkage in exchange gain by approximately HK\$28 million during the period under review as compared with the period ended 30 September 2023.

Distribution and selling expenses

During the period under review, selling and distribution expenses including impairment loss on trade receivables increased to HK\$29.6 million (2023: HK\$19.0 million), mainly due to increase in expense on freight charge which was consistent with increase in revenue.

Administration expenses

During the period under review, the administration expenses decreased to HK\$78.5 million (2023: HK\$82.8 million).

Finance costs

During the period under review, finance costs slightly decreased by approximately 1% to HK\$34.2 million (2023: HK\$34.6 million).

Trade receivables and trade payables turnover days

Trade receivables turnover days was 59 days while trade payables turnover days was 56 days.

Income tax

The Group recorded an income tax expense of approximately HK\$15.4 million during the period under review (2023: HK\$23.0 million). The average effective tax rate of the Group during the period under review was approximately 12.8% which was lower than the period ended 30 September 2023 (2023: 15.2%).

Assets

As at 30 September 2024, the total assets of the Group were HK\$5,563.3 million (31 March 2024: HK\$5,566.0 million). The total assets comprised non-current assets of HK\$2,832.8 million (31 March 2024: HK\$2,816.6 million) and current assets of HK\$2,730.5 million (31 March 2024: HK\$2,749.3 million).

Key financial ratios are set out below:

	For the six months ended	
	30 September	
	2024	2023
Gross Profit Margin ⁽¹⁾	7.5%	9.3%
Return on Equity ⁽²⁾	3.5%	4.3%
Interest Coverage Ratio ⁽³⁾	4.8	5.5

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 2024, the Group was in a net debt position (cash and bank balances and time deposits less total borrowings) of HK\$673.8 million (31 March 2024: net debt position of HK\$585.7 million). The increase in a net debt position was due to increase in trade receivables and inventories.

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 Hai Duong Plant.

As at 30 September 2024, the Group had total cash and bank balances and time deposits of HK\$548.4 million (31 March 2024: HK\$894.9 million) comprising of HK\$11.7 million, the equivalent of HK\$389.0 million denominated in US\$, the equivalent of HK\$141.3 million denominated in RMB, the equivalent of HK\$5.9 million denominated in VND and the equivalent of HK\$0.5 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\$1,096.9 million (31 March 2024: HK\$1,354.5 million) and shareholder's loan of HK\$125.3 million (31 March 2024: HK\$126.2 million) contributed by our joint venture partner to the Vietnam Hai Duong Plant. 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 2024: Nil).

For the period ended 30 September 2024, the Group's total assets amounted to HK\$5,563.3 million (31 March 2024: HK\$5,566.0 million). Non-current assets and current assets were HK\$2,832.8 million and HK\$2,730.5 million respectively. The above assets were financed by current liabilities of HK\$2,235.3 million, non-current liabilities of HK\$325.7 million and equity attributable to Shareholders of HK\$2,992.7 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 80.1% to HK\$124.6 million (2023: HK\$624.9 million) which was mainly due to less investment on capital expenditures for the Vietnam Nam Dinh Plant.

Details of the capital commitments are set out in note 12 to the financial information of this announcement.

Key liquidity or leverage ratios:

	As at 30 September 2024	As at 31 March 2024
Current Ratio ⁽⁴⁾	1.2	1.2
Quick Ratio ⁽⁵⁾	0.7	0.8
Gearing Ratio ⁽⁶⁾	40.8%	50.2%
Debt to Equity Ratio ⁽⁷⁾	85.3%	87.6%

Notes:

- (4) The calculation of Current Ratio is based on current assets divided by current liabilities.
- (5) The calculation of Quick Ratio is based on current assets minus inventories divided by current liabilities.
- (6) The calculation of Gearing Ratio is based on total borrowings and bills payable divided by total equity multiplied by 100%.
- (7) The calculation of Debt to Equity Ratio is based on total liabilities divided by total equity multiplied by 100%.

Risk Management on Foreign Exchange and Interest Exposure

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

The Group mainly operated in Hong Kong, 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 2024 and 30 September 2024 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 2024.

Contingent Liabilities

As at 30 September 2024, the Group had no material contingent liabilities (31 March 2024: Nil).

Events Subsequent to the Period

There was no significant event undertaken by the Company or by the Group after 30 September 2024 and up to the date of this announcement.

Employees and Remuneration Policies

As at 30 September 2024, the Group had 5,227 full-time employees (31 March 2024: 4,874). 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

The financial performance of the Group for the six months ended 30 September 2024 ("Reporting Period") has recorded a drop in the profit attributable to equity holders of the Company by 14.1% as compared with that of the six months ended 30 September 2023 ("Corresponding Period").

The result was mainly attributed to, among other things, (i) the loss of approximately HK\$48 million incurred at the preliminary operating stage of the newly established Vietnam Nam Dinh Plant before shifting to its bulk production from September 2024; (ii) the negative impact of approximately HK\$12 million for the Reporting Period on temporary suspension of production and damage of the Vietnam Hai Duong Plant resulting from the hit of Typhoon Yagi in early September 2024; and (iii) the shrinkage in exchange gain by approximately HK\$28 million during the Reporting Period (exchange gain in the first half of financial year 2024/25: HK\$2 million) as compared with the Corresponding Period (exchange gain in the first half of financial year 2023/24: HK\$30 million). The aggregate impact of the above factors amounted to approximately HK\$88 million. Without such impact, the net profit of the Company would have shown a certain increment.

Thanks to the team's effort, the Group's overall sales volume and revenue have increased by approximately 21.9% and 16.2% respectively during the Reporting Period. The performance of the China Nansha Plant is particularly prominent, we saw a trend of steady improvement in the utilization rate of the China Nansha Plant, with an increase of 28.3% in sales volume and 20.6% in revenue respectively compared with the Corresponding Period. This growth was driven by an increase in sales orders and a growing portfolio of new customers both locally and overseas, who seek high-quality fabrics in which innovative technologies are incorporated to enhance comfort and other specific functionalities. The increased diversity of the Group's products since last year has significantly contributed to the expansion of our customer portfolio. In addition to attracting customers from the sportswear and technical leisure wear sectors, we have successfully added new customers of non-clothing sectors, such as beddings and automotive fabrics through our recently developed product lines.

The Vietnam Nam Dinh Plant has moved into the bulk production stage since September 2024 with an average production of 1.1 million pounds per month. It is expected that its productivity will increase to 1.5 million pounds per month during the second half of the financial year. As longer than expected training time was required for new and inexperienced local workers, the management has been putting further resources into staff training to increase workforce efficiency. With further improvement in productivity, the factory's production capacity will be enhanced in the next financial year.

The Vietnam Hai Duong Plant was hit by Typhoon Yagi in September causing damage in certain factory buildings and production facilities, knitting machines in particular. As at the date of this announcement, the production level has resumed by 70%, compared to before the suspension. It will take several months for the new knitting machines to be made available to this factory. The overall sales of the Company for the financial year 2024/25 will be hampered by this incident to a certain extent. The full year financial impact resulting from the hit of Typhoon Yagi as well as the associated compensation amount from insurance claim, is still under assessment.

Political and economic factors will continue to create a lot of uncertainties for the business environment. Potential higher custom duties, fluctuation of RMB exchange rate and other possible trade barriers after the presidential election of United States of America may erode the profit margin of textiles industries. At the same time, the middle east unrest may have lingering impact on oil price, acting on inflation and pushing up the cost of production.

The Company will keep on strengthening its efforts for research & development and marketing to expand customer portfolio and introduce new products into the market. Diversification will remain our key focus in financial year 2024/25. Facing the increasing cost, the management has continued, and will continue to adopt stringent cost control and flexible treasury management to lower finance and interest expenses. Financial year 2024/25 is a new era of the Group, as production efficiency could be advanced through multi-site operation and economies of scale. Through re-deployment of internal resources within the Group, orders re-allocation or production process diversion could be flexibly achieved, when necessary. Such flexibility will also enhance the Group's resilience to unforeseeable events, which it may encounter.

The management looks forward to improving profitability in the second half of the financial year 2024/25.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$7 cents per Share (2023: HK\$7 cents per Share) for the six months ended 30 September 2024. The interim dividend will be paid on 18 December 2024 to Shareholders whose names appear on the Register of Members of the Company at the close of business on 10 December 2024.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 6 December 2024 to 10 December 2024 (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 5 December 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2024, the Company repurchased a total of 3,027,000 Shares on the Stock Exchange at an aggregate consideration of (excluding expenses) HK\$5,101,260. Such repurchased shares were subsequently cancelled on 1 August 2024. 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	Lowest	
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
July 2024	3,027,000	1.75	1.63	5,101,260

The repurchase of shares was made by the Directors, pursuant to the general mandate granted by the Shareholders at the annual general meeting held on 10 August 2023 with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share.

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2024 and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company had complied with the applicable code provisions and certain recommended best practices set out in the CG Code contained in Appendix C1 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 2024.

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 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 period for the six months ended 30 September 2024.

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, 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 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 2024 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 2024 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, 21 November 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.

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 C1 to the Main Board Listing Rules
“China” or “PRC”	The People’s Republic of China
“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
“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
“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. All options granted under the share option scheme had been exercised, lapsed or ceased to be exercisable by 10 October 2023
“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” or “Teejay”	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
“Vietnam Hai Duong Plant”	The factory run by Pacific Crystal Textiles Limited located in Kim Thanh District of Hai Duong Province, Vietnam
“Vietnam Nam Dinh Plant”	The factory run by TOP Textiles Limited located in Nghia Hung District of Nam Dinh Province, Vietnam
“VND”	Vietnamese Dong