



PACIFIC TEXTILES HOLDINGS LIMITED
互太紡織控股有限公司

Pacific Textiles Announces 2007/08 Interim Results

Maintains top line growth and healthy operating margins

Demonstrates strong balance sheet with positive net cash position

Financial Highlights

(HK\$million)	<u>Six months ended 30 September</u>		
	<u>2007</u>	<u>2006</u>	<u>Change (%)</u>
Revenue	2,305.3	2,106.0	+9.5%
Gross profit	438.4	477.9	-8.3%
Profit attributable to equity holders	263.7	276.2	-4.5%

Hong Kong, 14 December 2007 – **Pacific Textiles Holdings Limited** (“Pacific Textiles” or “the Group”; HKEX stock code: 1382), a leading manufacturer of customized knitted fabrics, today announced its interim results for the six months ended 30 September 2007.

Despite facing a number of challenges in the market and in operations, the Group sustained growth and high margin operations during the period under review. Turnover of the Group increased by 9.5% to HK\$2,305.3 million as compared with the corresponding period last year.

Impact brought by subprime crisis and worries over a US economic downturn have adversely affected both consumer confidence and discretionary spending. With over 70% of the Group’s fabrics bound for the US market, purchase orders for knitted fabric products began to slow down since late August this year.

Surging crude oil prices have raised the costs of synthetic yarn and other raw materials used in the production process. The Group experienced a 6.1% increase in yarn cost per pound during the period under review. In addition, increase in labour costs along with high inflation in China and appreciation of the Renminbi led to an increase in the Group’s cost of sales as a percentage of revenue from 77.3% recorded in the same period last year to 81.0%. As a result, gross profit was adversely affected which decreased by 8.3% year on year to HK\$438.4 million. Profit attributable to equity holders of the Group decreased by 4.5% to HK\$263.7 million.

The Group's Board of Directors has declared an interim dividend of HK6.5 cents per share for the six months ended 30 September 2007.

During the period under review, sales volume of the Group increased by 6.2% to reach 81.8 million pounds (2006: 77.0 million pounds). The Group achieved higher blended average selling price ("ASP") as a result of increasing orders for higher-valued fabrics with a higher margins. ASP grew by 2.9% to HK\$28.2 per pound. During the period under review, the Group's top five customers accounted for approximately 30.6% (2006: 33.7%) of the Group's turnover and approximately 49.6% (2006: 52.2%) of our overall sales revenue was derived from our top five brand owners.

The Group's value-added printing design continued to grow during the period. Through its partnership with Pubblicentro S.r.L., an Italian design house, the Group marketed its first series of print design for swimwear during the period under review, which received positive market responses. We are confident that this business segment will generate additional purchase orders.

The Group maintained an efficient cost structure and will continue to exercise a tight cost control. Despite the increased distribution and selling expenses by 26.7% due to increase in oil price and customer claims, general and administrative expenses recorded a decrease of 0.7%. The reduction of borrowings and interest rates has contributed to a decrease in finance costs by 16.4% to HK\$17.8 million during the period under review.

During the period under review, the Group demonstrated a healthy operating cash flow. Net cash generated from operating activities amounted to HK\$439.6 million, representing an increase of 43.0% when compared to HK\$307.4 million in the corresponding period last year. As at 30 September 2007, cash and cash equivalent of the Group was HK\$1,329.6 million. The strong balance sheet with positive net cash position provides the Group with financial strength to explore expansion and remains open to opportunities for strategic acquisitions and partnerships.

The automotive fabric manufacturing joint venture partnership, SPM Automotive Textile Co., Ltd. has made satisfactory progress during the period under review. Initial product development was completed and began to generate sales. Progress of our 50/50 joint venture with Fillattice S.p.A. was also satisfactory and sales have begun recently in the third quarter which will help us to access new markets and new customers. These partnerships are expected to achieve full year breakeven in this financial year and begin to contribute to our profitability beginning next year.

The Group expands its production capacity in accordance with the market situation and is on track with plans to upgrade its plant and equipment. The completion of critical supporting facilities such as the power plant, water treatment facilities and the new water recycling plant at our Panyu plant at the beginning of this year have put in place the necessary infrastructure to meet the Group's expansion in the next two to three years. During the period under review, the Group also upgraded a number of production equipment such as dyeing machines which are more cost efficient and environmentally friendly.

Expansion plans at the Group's Sri Lanka plant proceeded as planned and operations continued to improve. With the approval to increase treatment of discharged waste water, expansion of the plant has completed with expanded water treatment facility and other infrastructure.

It is expected that the uncertainty surrounding the subprime situation is far from over and may continue to have a lingering impact, leading to volatility in purchase order flow from customers. Renminbi appreciation, high inflation and labour cost increase in China is also expected to continue for some time. A tough and fluctuating operating environment in the fabric manufacturing sector is expected to persist and a wave of consolidation in the industry will ensue. The Group will continue its stringent cost control strategies and pursue market diversification to maintain its competitiveness in the industry.

The Group is still actively exploring opportunities to diversify geographically, particularly into China's domestic market which holds huge potential. Seeing the ever increasing demand for quality and high value-added products in China, the Group has expanded its China's domestic sales team during the period under review and will deploy more resources in this market segment. In addition, leverage on its successful experience in entering the automotive fabric segment, the Group will consider entering into other non-apparel sectors if opportunities arise.

With regard to the Group's expansion plan in production, while the existing site and supporting facilities in Panyu are good enough for expansion over the next two to three years, it will actively explore potential production sites both outside and within China for long-term development.

Mr. Wan Wai Loi, Executive Director (Chairman of the Board) said, "Looking forward, our core competencies remain intact. Solid infrastructure, efficient production base and advanced technology will allow us to adapt rapidly to changing operating conditions. Our established clientele, niche product offerings in high-end, value-added and complex fabric production will sustain which will enable us to maintain our competitiveness in the industry. We aim to achieve consistent, healthy operating margin in fabric production among other knitted fabric manufacturers and delivering maximum shareholders' return."

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Condensed Consolidated Income Statement
For the six months ended 30 September 2007

Unaudited		
Six months ended 30 September		
	2007	2006
	HK\$'000	HK\$'000
Revenue	2,305,298	2,106,032
Cost of Sales	(1,866,892)	(1,628,128)
Gross Profit	438,406	477,904
Other Revenue	30,566	25,190
Other gains – net	7,434	631
Distribution and selling expenses	(90,971)	(71,813)
General and administration expenses	(86,007)	(86,562)
Operating Profit	299,428	345,350
Finance income	24,754	2,079
Finance costs	(17,782)	(21,344)
Share of loss of associates	(465)	(520)
Profit before income tax	305,935	325,565
Income tax expense	(38,870)	(45,395)
Profit for the period	267,065	280,170
Attributable to:		
Equity holders of the Company	263,663	276,228
Minority interests	3,402	3,942
	267,065	280,170
Earnings per share- basic and diluted (HK\$)	0.20	0.26