

For Immediate Release



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

Pacific Textiles Announces FY2008 Annual Results

Maintained Solid Foundation and Consolidated Market Leadership

Sustained Growth in Sales Volume and Revenue Despite Volatile Operating Environment

Financial Highlights

(HK\$million)	<u>Year ended 31 March</u>		
	<u>FY2008</u>	<u>FY2007</u>	<u>Change (%)</u>
Revenue	4,280.6	4,203.4	+1.8%
Gross profit	696.9	922.1	-24.4%
Operating profit	453.5	686.5	-33.9%
Profit attributable to equity holders	392.1	555.7	-29.4%

Hong Kong, 11 July 2008 – **Pacific Textiles Holdings Limited** (“Pacific Textiles” or “the Group”; HKEX stock code: 1382), a leading manufacturer of customized knitted fabrics, today announced its annual results for the year ended 31 March 2008 (“FY2008”).

The FY2008 financial year was a challenging year for the Group and the textiles industry. Uncertain economic environment brought by the subprime crisis, surging raw material costs, together with the rising overheads in China and the appreciation of the Renminbi all contributed to a tough and volatile operating environment during the year. However, in spite of the challenging market conditions, the Group sustained growth in both sales revenue and volume during the reporting period.

During the year under review, the Group’s sales volume reached 155 million pounds. Revenue amounted to HK\$4,280.6 million, representing an increase of 1.8% as compared to last financial year. With the surging crude oil and commodity prices that had led to an increase in the costs of yarns, fuel, dyestuff and other raw materials, gross profit for the

year and operating profit declined to HK\$ 696.9 million and HK\$ 453.5 million respectively. Profit attributable to equity holders was HK\$ 392.1 million, representing a decrease of 29.4%.

The Board of Directors has proposed a final dividend of HK7.5 cents per share. Together with the interim dividend of HK6.5 cents per share, the total dividend for the financial year will be HK14 cents per share.

Business Review

In face of a challenging operating environment, the Group continued to leverage on its core competencies to maintain a solid business operation. During the year, the Group invested considerably in upgrading production equipment as well as advancing supporting facilities in Panyu, Guangdong to enhance manufacturing processes. The completion of these facilities has put in place the necessary infrastructures to meet the Group's expansion in the next two to three years. Expansion plan to double production capacity at the production plant in Sri Lanka was also fully completed and production volume will be increased progressively in the coming financial year. These new developments further enhanced the Group's manufacturing capabilities and operating efficiency, and enabled the Group to sustain its competitive edges in order to capture future growth opportunities.

During the reporting year, the Group continued to maintain close collaborations with apparel brand owners to develop fabrics that meet customized-order preferences. Well established relationships with leading brands such as Calvin Klein, Liz Claiborne, Maidenform, Marks & Spencer, Triumph, UNIQLO, VF Intimates and Victoria's Secret, allowed the Group to enjoy stable purchase orders. During the year, 44.5% of the Group's overall sales revenue was derived from its top five brand owners.

Besides maintaining close relationships with its existing customers, the Group was also actively exploring opportunities to diversify geographically, particular into China's domestic market, during the reporting period. The management sees the PRC market with huge potential and the Group shall continue to deploy more resources into this new business arm. During the year, the Group expanded its China domestic sales team to further penetrate into this enormous market.

During the reporting period, SPM Automotive Textile Co., Ltd., the Group's automotive fabric joint venture with Suminoe Textile Co., Ltd and Marubeni Corporation, made satisfactory progress. Initial product development was completed and sales began to take off. Progress of Fillattice-Pacific Limited, the Group's 50/50 joint venture with Fillattice S.p.A., was also on track and sales have begun in the third quarter of the year under

review.

Business Outlook

Commenting on the future strategy of the Group, Mr. Wan Wai Loi, Chairman of Pacific Textiles said, “Looking forward, although the uncertain economic climate in the US will still impact the operating environment of the fabric manufacturing industry, we are confident to maintain the Group’s competitiveness by exercising stringent cost-control strategies and pursuing market diversification. We are confident about the global textile market, especially in China. We shall continue to leverage on our established clientele and our unique positioning with value-added products and services, to further expand into the PRC market and capture the enormous opportunities brought by the growing demand of the domestic apparel market.”

In addition to its continuous effort to strengthen and consolidate its leading position in manufacturing complex, value-added fabrics, Pacific Textiles will also continue to further explore other markets, including the non-apparel products, to further broaden its customer base. Research and development efforts will be put on developing new types of valued-added fabrics to enhance profitability in the long run. At the same time, the Group will continue to explore potential strategic partnerships that will create added value and synergistic benefits to its existing business.

Mr. Wan concluded, “With our unique positioning with value-added products and services, strong manufacturing capabilities in complex fabrics and solid financial position, we are confident that the Group possesses the competitive attributes and qualities to further consolidate our market leadership position and take us into the next level.”

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For further enquiries, please contact Hill and Knowlton Asia Ltd.:-

Carol Mak

Tel: (852) 2894 6283/ 6126 5261

Email: carol.mak@hillandknowlton.com.hk

Deborah Tsui

Tel: (852) 2894 6322/ 9372 2226

Email: deborah.tsui@hillandknowlton.com.hk

PACIFIC TEXTILES HOLDINGS LIMITED

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2008**

	2008 HK\$'000	2007 HK\$'000
Revenue	4,280,646	4,203,357
Cost of sales	(3,583,759)	(3,281,266)
Gross profit	696,887	922,091
Other revenue	57,781	52,438
Other gains - net	50,712	11,917
Distribution and selling expenses	(181,020)	(130,507)
General and administrative expenses	(170,901)	(169,459)
Operating profit	453,459	686,480
Finance income	44,351	4,548
Finance costs	(33,283)	(42,169)
Share of profit/(loss) of associates	886	(1,997)
Profit before income tax	465,413	646,862
Income tax expense	(68,599)	(83,216)
Profit for the year	396,814	563,646
Attributable to:		
Equity holders of the Company	392,093	555,698
Minority interests	4,721	7,948
	396,814	563,646
Earnings per share for profit attributable to the equity holders of the Company during the year		
- basic and diluted (HK\$)	0.28	0.52
Dividends	980,610	234,000

PACIFIC TEXTILES HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2008

	2008 HK\$'000	2007 HK\$'000
ASSETS		
Non-current assets		
Leasehold land and land use rights	28,336	22,050
Property, plant and equipment	1,522,587	1,197,086
Interest in associates	15,086	13,070
Deferred taxation	3,467	3,760
Available-for-sale financial assets	1,808	1,824
	<u>1,571,284</u>	<u>1,237,790</u>
Current assets		
Inventories	993,285	953,335
Trade and bills receivables	608,708	579,621
Deposits, prepayments and other receivables	35,390	35,391
Derivative financial instruments	18,813	8,618
Cash and bank balances	1,175,481	226,156
	<u>2,831,677</u>	<u>1,803,121</u>
Total assets	<u><u>4,402,961</u></u>	<u><u>3,040,911</u></u>
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	1,433	11
Reserves	2,838,332	1,440,734
	<u>2,839,765</u>	<u>1,440,745</u>
Minority interests	46,244	50,748
Total equity	<u><u>2,886,009</u></u>	<u><u>1,491,493</u></u>
LIABILITIES		
Non-current liabilities		
Borrowings	393,687	415,773
Finance lease obligations	871	814
	<u>394,558</u>	<u>416,587</u>
Current liabilities		
Trade and bills payables	611,021	464,574
Accruals and other payables	221,792	140,806
Borrowings	275,022	513,628
Finance lease obligations	1,462	3,090
Derivative financial instruments	1,327	234
Current income tax liabilities	11,770	10,499
	<u>1,122,394</u>	<u>1,132,831</u>
Total liabilities	<u><u>1,516,952</u></u>	<u><u>1,549,418</u></u>
Total equity and liabilities	<u><u>4,402,961</u></u>	<u><u>3,040,911</u></u>
Net current assets	<u><u>1,709,283</u></u>	<u><u>670,290</u></u>
Total assets less current liabilities	<u><u>3,280,567</u></u>	<u><u>1,908,080</u></u>