

**PACIFIC TEXTILES HOLDINGS LTD:
THIS COMPANY WENT PUBLIC BECAUSE IT NEEDED MONEY**

The Company Appears To Have Excellent Prospects For 2007

It is very apparent that the main reason that Pacific Textiles Holdings Ltd () (Code: 1382, Main Board, The Stock Exchange of Hongkong Ltd) decided to raise money by pitching an Initial Public Offering (IPO) on the Main Board of The Stock Exchange of Hongkong Ltd, a month or so ago, was due to the fact that servicing debt as well as repaying principle was becoming burdensome.

And the repayment of principle to the Company's major creditor banker, Citicorp International Ltd, would have been especially onerous, in **TARGET's** opinion.

When studying the Global Offering Prospectus of the Company, dated May 7, 2007, one cannot help but reach the aforementioned conclusion.

The total indebtedness of Pacific Textiles, as at March 31, 2007, stood at about \$HK929,401,000, according to Page 128 of the Prospectus.

As at March 31, 2006, the total indebtedness of the Company was about \$HK717,560,000.

In a period of between 10 months and 12 months, therefore, Pacific Textiles had had to increase borrowings by nearly 30 percent.

Further, on scanning the Profit and Loss Account at Appendix I-5 of the Prospectus, the financing costs for the 8 months, ended November 30, 2006, were about \$HK29 million, an increase of about \$HK24.86 million, equivalent to about 600 percent, compared with the like period in 2005.

And, further, it is stated that the Management of Pacific Textiles intends to utilise about 47 percent of the net proceeds from its IPO, equivalent to about \$HK762 million, *'to be used for the repayment of an existing syndicated loan and other bank loans which were used for working capital and other operational purposes ...'*

For Working Capital!!!

The Flotation

Pacific Textiles made a Global Offering on May 7, 2007, of 358,234,000 Shares of a Nominal Value of \$HK0.001 per Share at a maximum Offer Price of \$HK5.50 per Share.

The Offer Price was set at \$HK5.35 per Share, according to an announcement by the Company, dated May 17, 2007.

After all expenses had been paid, the Company netted about \$HK1.80 billion for its efforts.

The Prospectus, at Page 139, states that, based on an Offer Price of \$HK4.83 per Share, it is Management's intention to use the net proceeds for the following purposes:

1. \$HK762 million to retire some bank debt as follows:
 - a. Citicorp International Ltd \$HK607 million
 - b. Hang Seng Bank Ltd () \$HK 50 million

- c. The Hongkong and Shanghai Banking Corporation Ltd
() \$HK 50 million
- d. BNP Paribas, Hongkong Branch () \$HK 35 million
- e. Standard Chartered (Hongkong) Bank Ltd () \$HK 20 million

TOTAL: \$HK762 MILLION

- 2. \$HK700 million to fund capital expenditures
- 3. \$HK160 million to fund General Working Capital requirements.

In respect of the \$HK762 million to be used to retire bank debts, it is clearly stated that the chunk, due to Citicorp International Ltd, was expected to be paid on or about March 15, 2009, whereas all of the other banks were expecting to be repaid on or before May 23, 2007.

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