

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**HG · 锦艺纺**

**ART TEXTILE TECHNOLOGY INTERNATIONAL COMPANY LIMITED**

**錦藝紡織科技國際有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 565)**

**MAJOR TRANSACTION  
IN RELATION TO THE PROPOSED ACQUISITION OF  
ENTIRE EQUITY INTERESTS IN COMPANIES AND  
LOAN ACQUISITION**

**Financial adviser to the Company**

**AmCap**

*Ample Capital Limited*

豐盛融資有限公司

**THE ACQUISITIONS**

The Board is pleased to announce that after the trading hours on 17 March 2008, (i) Right Lane, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement I in connection with the acquisition of the entire issued share capital in and shareholder's loan advanced to Wide Launch from the Wide Launch Vendor at an aggregate cash consideration of RMB110 million (equivalent to approximately HK\$119.9 million), subject to adjustment; and (ii) Fuzhou Huaguan, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement II in connection with the acquisition of the entire equity interest in Zhengzhou Huatai from the Zhengzhou Huatai Vendors at a cash consideration of RMB50 million (equivalent to approximately HK\$54.5 million), subject to adjustment.

**GENERAL**

Completion of Acquisition I and Acquisition II are inter-conditional. Accordingly, the Acquisitions are related and are aggregated pursuant to Rule 14.22 of the Listing Rules for the purpose of determining the percentage ratios. As each of the assets ratio and consideration ratio (as defined in the Listing Rules) exceeds 25% but is less than 100%, the Acquisitions constitute a major transaction for the Company under Chapter 14 of the Listing Rules and are subject to the approval of the Shareholders.

As no Shareholder has a material interest in the Acquisitions which is different from that of the other Shareholders, no Shareholder is required to abstain from voting on the Acquisitions. Talent Crown, which is beneficially interested in approximately 55.92% of the total issued Shares as at the date of this announcement, has given written consent to the Acquisitions. The written consent from Talent Crown is accepted in lieu of holding a general meeting to approve the Acquisitions pursuant to Rule 14.44(2) of the Listing Rules. A circular containing, among other things, further details of the Acquisitions will be despatched to the Shareholders as soon as possible in accordance with the Listing Rules.

**Shareholders and potential investors should note that the Acquisitions contemplated under the Acquisition Agreement I and Acquisition Agreement II, which are subject to satisfaction of a number of conditions, may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.**

## ACQUISITION AGREEMENT I

**Date** : 17 March 2008

**Vendor** : the Wide Launch Vendor, namely Mr. Lin Shantan (林善談)

**Purchaser** : Right Lane, a wholly-owned subsidiary of the Company

The Wide Launch Vendor operates textile trading business with investments in the PRC and is the business acquaintance of the Group's management. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquires, the Wide Launch Vendor is an Independent Third Party.

### Assets to be acquired

Pursuant to the Acquisition Agreement I, Right Lane has conditionally agreed to acquire and Wide Launch Vendor has conditionally agreed to sell the entire issued share capital in Wide Launch and the Loan, which is, and will be, wholly owned by the Wide Launch Vendor respectively.

Wide Launch is an investment holding company whose sole asset is 100% direct interest in Well Master and will also comprise of the 100% indirect interest in Zhengzhou Hongye immediately after the Reorganisation. The principal asset of Zhengzhou Hongye is the Property. As Zhengzhou Hongye owned the Property and certain domestic textile machinery and equipment, it is beneficial to the Group to acquire Zhengzhou Hongye (through Wide Launch) instead of acquiring the Property. As at the date of this announcement, the latest audited accounts audited by the PRC local auditors ("PRC audited accounts") for Zhengzhou Hongye were made up for the year ended 31 December 2006. As for the year ended 31 December 2007, only unaudited management accounts are available to the Directors as at the date of this announcement. Based on the PRC audited accounts of Zhengzhou Hongye, it had audited net assets of approximately RMB13,880,000 (approximately HK\$15,130,000) as at 31 December 2006. As per the unaudited management accounts of Zhengzhou Hongye, it had unaudited net assets of approximately RMB42,091,000 (approximately HK\$45,881,000) as at 31 December 2007.

## Consideration

The maximum total consideration of the Acquisition I is RMB110 million (equivalent to approximately HK\$119.9 million), subject to adjustment, which shall comprise the share consideration and the loan consideration as follows:

- (a) the share consideration for the sale and purchase of the entire issued share capital of Wide Launch shall be the consideration of RMB110 million (subject to adjustment) less the loan consideration; and
- (b) the loan consideration for the sale and purchase of the Loan shall be on a dollar-for-dollar basis, based on the amount of the Loan as shown in the completion accounts (unaudited and compiled using accounting principles generally accepted in the PRC) as at the Completion Date.

This consideration is payable according to the following schedule:

- (a) a sum of RMB5,500,000 (equivalent to approximately HK\$5,995,000) to be paid on the date of signing of the Acquisition Agreement I as deposit and partial payment of the total consideration of the Acquisition I (the “**Deposit I**”);
- (b) a sum of RMB27,500,000 (equivalent to approximately HK\$29,976,000), subject to adjustment, to be paid on the Completion Date;
- (c) a sum of RMB55,000,000 (equivalent to approximately HK\$59,952,000), subject to adjustment to be paid within seven (7) Business Days after the Completion Date; and
- (d) the remaining balance of RMB22,000,000 (equivalent to approximately HK\$23,981,000) to be paid within one (1) year after the date of the Acquisition Agreement I (the “**Final Payment Date I**”). In the event that it does not fall on a Business Day, the payment date shall be the next Business Day immediately after the Final Payment Date I.

If the unaudited consolidated balance sheet of Wide Launch as at the Completion Date shall show that Wide Launch has any liabilities (other than (i) the liabilities disclosed in the unaudited balance sheet of the Wide Launch Group of approximately HK\$118,863,000 as at 31 January 2008, (ii) the liabilities incurred by Zhengzhou Hongye with the prior written consent of Right Lane and (iii) the Loan), the consideration shall be reduced by the amount of such liabilities on a dollar-for-dollar basis. In the event that the amount of such liabilities exceeds the second payment, the third payment will be reduced accordingly. The Wide Launch Vendor shall pay to Right Lane the amount of any shortfall (after deducting the second payment and the third payment) within seven (7) Business Days after the Completion Date. Wide Launch had unaudited total liabilities of around HK\$10,000 as at 31 December 2007 and will have unaudited total liabilities of around HK\$35,010,000 after completion of the Reorganisation.

The consideration for the Acquisition I was determined after arm’s length negotiation between the parties to the Acquisition Agreement I with reference to unaudited net assets of Zhengzhou Hongye and the preliminary current market valuation of the Property (land and building portion) estimated by GA Appraisal Limited, an independent firm of qualified professional valuers. Market approach with direct comparison method has been adopted in arriving at the preliminary estimated market value of the Property (land and buildings portion) as at 31 January 2008 which is RMB211 million (equivalent to approximately HK\$230.0 million). As the aforementioned valuation is not based on discounted cash flows or projection of profits, earnings or cash flow, the valuation does not constitute a profit forecast under Listing Rule 14.61. The valuation report of the Property will be included in the circular of the Company. The cash consideration will be financed by internal resources of the Group.

## Conditions precedent

Completion of the Acquisition Agreement I is conditional upon the fulfillment of the following conditions:

- (a) the warranties and representations as set out in the Acquisition Agreement I and the Acquisition Agreement II remaining true and accurate and not misleading at all times between the date of the Acquisition Agreement I and the Completion Date;
- (b) Right Lane notifying the Wide Launch Vendor in writing that in reliance of the warranties and upon inspection and investigation of the documents in respect of the Wide Launch Group which may be required by Right Lane after the execution of the Acquisition Agreement I and due diligence carried out by Right Lane on the Wide Launch Group after the execution of the Acquisition Agreement I, it is fully satisfied with the conditions, both financial and operational, of the Wide Launch Group and its prospect;
- (c) Fuzhou Huaguan notifying the Zhengzhou Huatai Vendors in writing that in reliance of the warranties and representations as set out in the Acquisition Agreement II and upon inspection and investigation of the documents in respect of Zhengzhou Huatai which may be required by Fuzhou Huaguan after the execution of the Acquisition Agreement II and due diligence carried out by Fuzhou Huaguan on Zhengzhou Huatai after the execution of the Acquisition Agreement II, it is fully satisfied with the conditions, both financial and operational, of Zhengzhou Huatai and its prospect;
- (d) the shareholders of the Company approving the Acquisition Agreement I and Acquisition Agreement II and the transactions contemplated under or in connection with the Acquisition Agreement I and the Acquisition Agreement II at a duly convened and held extraordinary general meeting of the Company as required by and in accordance with the Listing Rules or, by a written Shareholder's approval in lieu of the holding of an extraordinary general meeting pursuant to Rule 14.44(2) of the Listing Rules;
- (e) the completion of all approval and registration procedures with the Approval Authority in connection with the change of owner of Zhengzhou Huatai in accordance with the terms of the Acquisition Agreement II and the obtaining of the new Business Licence of Zhengzhou Huatai by Fuzhou Huaguan;
- (f) the obtaining of all necessary approvals and consents of the relevant authorities in respect of the Acquisition Agreement I as may be required by the relevant laws;
- (g) the obtaining of (i) an approval in writing from the Zhengzhou Municipal of Commerce with regard to the transfer of the entire equity interest of Zhengzhou Hongye in accordance with the relevant equity transfer agreement, including such equity transfer agreement and the change of the investor of Zhengzhou Hongye from the Previous Owner to Well Master as well as other related changes to the articles of association of Zhengzhou Hongye; and (ii) the new Approval Certificate of Zhengzhou Hongye from the Government of Henan Province and the new Business Licence of Zhengzhou Hongye from the Approval Authority each showing that Well Master is the sole investor of Zhengzhou Hongye and that Zhengzhou Hongye becomes a wholly foreign-owned enterprise wholly-owned by Well Master; and
- (h) completion of the Acquisition Agreement II simultaneously with the completion of the Acquisition Agreement I.

Right Lane may at its absolute discretion waive all or any of the conditions (except for condition (d) which will not be waived and must be fulfilled) at any time by notice in writing to the Wide Launch Vendor. If any of the conditions set out above has not been satisfied or waived (as the case may be) within six (6) calendar months from the date of the Acquisition Agreement I or such later date as Right Lane and the Wide Launch Vendor may agree, the Wide Launch Vendor shall forthwith refund the Deposit I to Right Lane with interest calculated at the base lending rates as quoted by the People's Bank of China from the date of the Acquisition Agreement I up to the date of refund and the Acquisition Agreement I shall cease and determine and neither party shall have any obligations and liabilities thereunder. As at the date of this announcement, Right Lane has no intention to waive any of the above conditions.

The Wide Launch Vendor shall use his best endeavours to procure the fulfilment of the conditions (other than the conditions (c) and (d)) as soon as practicable but in any event no later than six (6) calendar months after the date of the Acquisition Agreement I.

### **Completion**

Completion is expected to take place on the 60th Business Day after the day on which the last of the outstanding conditions under the Acquisition Agreement I is fulfilled or waived by Right Lane (or such later date as the parties thereto may agree in writing).

### **ACQUISITION AGREEMENT II**

**Date** : 17 March 2008

**Vendors** : the Zhengzhou Huatai Vendors, namely Mr. Xu Bao Fang (許寶芳) and Mr. Chen Bao Rong (陳寶榮)

**Purchaser** : Fuzhou Huaguan, a wholly-owned subsidiary of the Company

The Zhengzhou Huatai Vendors operate fabrics retailing business and have investments in the PRC. Moreover, Mr. Xu Bao Fang is one of the customers of the Group. The Zhengzhou Huatai Vendors maintain frequent business contacts with the Group's management. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquires, the Zhengzhou Huatai Vendors are Independent Third Parties.

### **Assets to be acquired**

Pursuant to the Acquisition Agreement II, Fuzhou Huaguan has conditionally agreed to acquire and the Zhengzhou Huatai Vendors have conditionally agreed to sell the entire equity interest in Zhengzhou Huatai, which is owned as to 90% by Mr. Xu Bao Fang (許寶芳) and 10% by Mr. Chen Bao Rong (陳寶榮). The principal assets of Zhengzhou Huatai are the deposits for acquisition of import textile machinery and equipment to be used for yarn production (the "Assets"). Yarn production is one of the encouraged businesses by relevant authorities in the PRC for domestic enterprises, therefore, certain tax benefits, such as exemption of custom duty and value added tax, are offered to those domestic enterprises when acquiring import machinery and equipment. Accordingly, the Directors consider that it is beneficial for the Group to acquire Zhengzhou Huatai, a domestic enterprise established in the PRC, so as to enjoy the tax benefit instead of acquiring the Assets from the Zhengzhou Huatai Vendors. In relation to the acquisition of the Assets, commitments contracted for but not provided in the unaudited management accounts for the year ended 31 December 2007 were approximately RMB42,901,000. The payment terms of the Assets are through irrevocable and non-transferable documentary letters of credit at normal commercial terms.

Based on the unaudited management accounts of Zhengzhou Huatai, the deposits paid for the Assets were approximately RMB17,267,000 and the total consideration of the Assets was approximately RMB60,168,000 as at 30 November 2007.

As at the date of this announcement, only the unaudited management accounts of Zhengzhou Huatai for the year ended 31 December 2007 are available to the Directors. Based on the unaudited management accounts of Zhengzhou Huatai, it had unaudited net assets of approximately RMB50,000,000 (approximately HK\$54,502,000) as at 31 December 2007. Zhengzhou Huatai's net assets include RMB17,267,000 of deposits for acquisitions of machinery and equipment, RMB15,000,000 of amount owed from shareholder, RMB17,520,000 of amount owed from Independent Third Party, RMB165,000 of bank balance and cash and RMB48,000 of other assets.

### **Consideration**

The total consideration of the Acquisition II is RMB50 million (equivalent to approximately HK\$54.5 million), subject to adjustment. This consideration is payable according to the following schedule:

- (a) a sum of RMB2,500,000 (equivalent to approximately HK\$2,725,000) to be paid within seven (7) Business Days after the date of receiving (with acknowledgement issued by the Approval Authority) the whole set of equity transfer document from the Zhengzhou Huatai Vendors by the Approval Authority as deposit and part payment of the total consideration of the Acquisition II;
- (b) a sum of RMB12,500,000 (equivalent to approximately HK\$13,625,000) to be paid on the date of completion of all approval and registration procedures with the Approval Authority in connection with the change of owner of Zhengzhou Huatai in accordance with the terms of the Acquisition Agreement II;
- (c) a sum of RMB25,000,000 (equivalent to approximately HK\$27,251,000), subject to adjustment, to be paid within seven (7) Business Days after the Completion Date; and
- (d) a sum of RMB10,000,000 (equivalent to approximately HK\$10,900,000) to be paid within one (1) year after the date of the Acquisition Agreement II (the "**Final Payment Date II**"). In the event that it does not fall on a Business Day, the payment date shall be the next Business Day immediately after the Final Payment Date II.

If Zhengzhou Huatai has any liabilities (other than the liabilities disclosed in the unaudited balance sheet of Zhengzhou Huatai as at 31 January 2008 and the liabilities incurred by Zhengzhou Huatai with the prior written consent of Fuzhou Huaguan) as at the Completion Date, the consideration shall be reduced by the amount of such liabilities on a dollar-for-dollar basis. In the event that the amount of such liabilities exceeds the third payment, the Zhengzhou Huatai Vendors shall pay to Fuzhou Huaguan the amount of any shortfall within seven (7) Business Days after the Completion Date.

The consideration for the Acquisition II was determined after arm's length negotiation between the parties to the Acquisition Agreement II with reference to the unaudited net assets value of Zhengzhou Huatai. The cash consideration will be financed by internal resources of the Group.

## **Conditions precedent**

Completion of the Acquisition Agreement II is conditional upon the fulfillment of the same conditions as set out in the Acquisition Agreement I.

Fuzhou Huaguan may at its absolute discretion waive all or any of the conditions (except for condition (d) which will not be waived and must be fulfilled) at any time by notice in writing to the Zhengzhou Huatai Vendors.

If any of the conditions set out above has not been satisfied or waived (as the case may be) within six (6) calendar months from the date of the Acquisition Agreement II or such later date as Right Lane and Wide Launch Vendor may agree, the Zhengzhou Huatai Vendors shall forthwith refund all the part payments of the consideration to Fuzhou Huaguan with interest calculated at the base lending rates as quoted by the People's Bank of China from the date of the Acquisition Agreement II up to the date of refund and the Acquisition Agreement II shall cease and determine and neither party shall have any obligations and liabilities thereunder. As at the date of this announcement, Fuzhou Huaguan has no intention to waive any of the above conditions.

The Zhengzhou Huatai Vendors shall use their best endeavours to procure the fulfilment of the conditions (other than the conditions (b) and (d)) as soon as practicable but in any event no later than six (6) calendar months after the date of the Acquisition Agreement II.

## **Completion**

Completion is expected to take place on the 60th Business Day after the day on which the last of the outstanding conditions under the Acquisition Agreement II is fulfilled or waived by Fuzhou Huaguan (or such later date as Right Lane and the Wide Launch Vendor may agree in writing).

## **REASONS FOR AND THE BENEFITS OF THE ACQUISITIONS**

The Group is principally engaged in the manufacture and sale of finished woven fabrics targeting at mid to high-end markets both in the PRC and overseas. By way of the Acquisitions, the Group intends to expand its manufacturing facilities through acquisition of fixed assets and factory premises as a strategy to increase the Group's revenue. Zhengzhou Huatai has placed deposits to acquire import textile machinery and equipment, while Zhengzhou Hongye owns certain domestic textile machinery and equipment as well as the Property under construction. Accordingly, the Directors consider that Acquisition I and Acquisition II should be carried out simultaneously such that the assets owned by Zhengzhou Huatai and Zhengzhou Hongye can be combined to achieve the desired results. The Acquisitions form part of the expansion strategy of the Group with an aim of strengthening its capacities. In line with the expansion plan of the Group, the Directors consider the Acquisitions represent a good opportunity for the Group to increase its production capacity, enhance its market position and profitability. The Company views the Acquisitions as a step towards vertically expanding into a business area which compliments its principal business of sale and manufacturing of textile products.

Having considered the above, and also (i) the potential positive effects to be realized upon completion of the Acquisitions, (ii) the total consideration represents an approximately 74% premium to the unaudited net assets of Zhengzhou Huatai and Zhengzhou Hongye and (iii) the consideration under the Acquisition Agreement I represents an approximately 3% discount to the preliminary current market valuation of the Property (land and building portion) after deducting the unaudited liabilities of approximately RMB98 million imposed on the Property, the Directors, including the independent non-executive Directors, are of the opinion that the Acquisitions are conducted on normal commercial terms and are fair and reasonable so far as the Shareholders as a whole are concerned.

In addition, demand for pure cotton knit fabrics from the Group's customers keeps increasing with its continuous growth in these few years. The Group has satisfied customers' demand only by purchasing yarn for producing knit fabrics from external suppliers. However, the Acquisitions would align with the Group's future development plan because the main products of Zhengzhou Huatai and Zhengzhou Hongye would be yarn for producing pure cotton knit fabrics, which in turn, would enable the vertical integration of the Group. Moreover, an international standard dyeing production line has been installed at the Group's existing plant for further exploring the market of pure cotton knit fabrics. Consequently, after the Acquisitions, the Group would be able to integrate its production process vertically, from yarn producing, raw fabric weaving to dyeing.

Based on the above, the Directors are of the view that the entering into of a conditional agreement for the acquisition of each of Wide Launch and Zhengzhou Huatai before the completion of the Reorganization and the acquisition of the Assets respectively is fair and reasonable and in the interest of the Shareholders.

#### **INFORMATION ON WIDE LANUCH**

Wide Launch Investment Limited, a company incorporated in the British Virgin Islands with limited liability on 14 September 2007, is wholly-owned by Mr. Lin Shantan (林善談) and its sole business is investment holding. Based on the unaudited management accounts, the total assets, total liabilities and losses of Wide Launch, Well Master and Zhengzhou Hongye are as follows.

	<b>Approximate total assets as at 31 December 2007 HK\$</b>	<b>Approximate total liabilities as at 31 December 2007 HK\$</b>	<b>Approximate losses for the period ended 31 December 2007 HK\$</b>
Wide Launch	8	10,000	10,000
Well Master	1	13,350	13,350
Zhengzhou Hongye	164,925,000	119,043,000	–

The sole asset of Wide Launch is its 100% interest in Well Master and whose sole business is investment holding. After the Reorganisation, the sole asset of Well Master will be 100% interest in Zhengzhou Hongye. Zhengzhou Hongye is a wholly foreign-owned enterprise established in the PRC with limited liability on 14 August 2006. Zhengzhou Hongye has obtained the business license in respect of the design, production and sale of textile products and development of new clothing and textile raw materials. The principal asset of Zhengzhou Hongye is the Property. Though Zhengzhou Hongye owns certain textile machinery and equipment, it has not commenced any business operation yet, hence, it has no profit/loss for the two years ended 31 December 2006 and 2007. The Property is still under construction at present.



The Property comprises a yarn manufacturing plant which has an approximate site area of 297,086.03 square meters. It is planned to have several phases of development and with an approximate total gross floor area of 212,036 square meters. As at 31 January 2008, the Property had been fenced off and was under construction. Construction of Phase 1 was underway as at 31 January 2008, which primarily consists of 1 block of single storey factory building, 2 blocks of single storey godown building, a block of 4-storey ancillary office building, a block of 6-storey dormitory building, a block of single storey repair and maintenance building, a block of 2-storey canteen and bath building, a single storey pump room & basement water tank, a single storey transformer room, a single storey garage, landscaping areas, recreational facilities, fencing walls and guard posts. It is expected that warehouses and some ancillary facilities would be completed in April 2008. The office premises and the plant would be completed in May 2008 and June 2008 respectively. There would be altogether four production lines installed and trial run during the period from July 2008 to June 2009. And the yarn production would be commenced accordingly once their installation and trial run were completely satisfactorily.

The financial information of Zhengzhou Hongye (prepared under accounting principles generally accepted in the PRC) for the two years ended 31 December 2006 and 2007 is set out below:

	<b>Year ended</b> <b>31 December 2006</b> <i>RMB'000</i> (audited)	<b>Year ended</b> <b>31 December 2007</b> <i>RMB'000</i> (unaudited)
Profit/(loss) before tax	–	–
Profit/(loss) after tax	–	–

#### **INFORMATION ON ZHENGZHOU HUATAI**

Zhengzhou Huatai, a domestic enterprise established in the PRC with limited liability on 5 June 2007, is 100% held by the Zhengzhou Huatai Vendors. It has obtained the business license in respect of the design, production and sale of textile products and development of new clothing and textile raw materials. The unaudited financial information of Zhengzhou Huatai (prepared under accounting principles generally accepted in the PRC) for the year ended 31 December 2007 is set out below:

	<b>Period ended</b> <b>31 December 2007</b> <i>RMB'000</i> (unaudited)
Profit/(loss) before tax	–
Profit/(loss) after tax	–

The Wide Launch Vendor and the Zhengzhou Huatai Vendors are business partners. To the best knowledge of the Directors, they are independent among themselves and to the Group.

#### **INFORMATION ON THE COMPANY**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the manufacture and sale of finished woven fabrics targeting at mid to high-end markets both in the PRC and overseas. The Group vertically integrates its production process, which include research and development,

raw fabric weaving, dyeing and setting, cloth finishing such as pattern pressing and calendaring. The Group's products are used for manufacturing down wear, sports wear, household products such as sofa and curtain and men's and women's fashions. The Company was not involved in any previous transaction with the Zhengzhou Huatai Vendors and Wide Launch Vendor which would otherwise require aggregation with the Acquisitions pursuant to Rule 14.22 of the Listing Rules and it has no relationship with any of them.

## GENERAL

Completion of Acquisition I and Acquisition II are inter-conditional. Accordingly, the Acquisitions are related and are aggregated pursuant to Rule 14.22 of the Listing Rules for the purpose of determining the percentage ratios. As each of the assets ratio and consideration ratio (as defined in the Listing Rules) exceeds 25% but is less than 100%, the Acquisitions constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the approval of the Shareholders.

As no Shareholder has a material interest in the Acquisitions which is different from that of the other Shareholders, no Shareholder is required to abstain from voting on the Acquisitions. Talent Crown, which is beneficially interested in approximately 55.92% of the total issued Shares as at the date of this announcement, has given written consent to the Acquisitions. The written consent from Talent Crown is accepted in lieu of holding a general meeting to approve the Acquisitions pursuant to Rule 14.44(2) of the Listing Rules. A circular containing, among other things, further details of the Acquisitions will be despatched to the Shareholders as soon as possible in accordance with the Listing Rules.

**Shareholders and potential investors should note that the Acquisitions contemplated under the Acquisition Agreement I and Acquisition Agreement II, which are subject to satisfaction of a number of conditions, may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

Terms used in this announcement have the following meanings unless the context otherwise requires:

“Acquisitions”	Acquisition I and Acquisition II
“Acquisition I”	the acquisition of Wide Launch and the Loan pursuant to the Acquisition Agreement I
“Acquisition II”	the acquisition of Zhengzhou Huatai pursuant to the Acquisition Agreement II
“Acquisition Agreement I”	the conditional sale and purchase agreement dated 17 March 2008 entered into between the Wide Launch Vendor and Right Lane in relation to the Acquisition I
“Acquisition Agreement II”	the conditional equity transfer agreement in Chinese dated 17 March 2008 entered into between the Zhengzhou Huatai Vendors and Fuzhou Huaguan in relation to the Acquisition II
“Approval Authority”	新鄭市工商行政管理局 (Zhengzhou Industry and Commerce Administration Bureau)

“associate(s)”	has the meaning given to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day, other than a “general holiday” (as defined in the General Holidays Ordinance (Cap. 149 of the Laws of Hong Kong)), Saturday and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon, on which licensed banks in Hong Kong are generally open for business
“Company”	Art Textile Technology International Company Limited (錦藝紡織科技國際有限公司), a company incorporated in Cayman Islands with limited liability whose Shares are listed on the Stock Exchange
“Completion Date”	the 60th Business Day following the date on which the last of the conditions precedent has been fulfilled or waived, or such later date as the Wide Launch Vendor and Right Lane may agree in writing
“Director(s)”	the director(s) of the Company
“Fuzhou Huaguan”	福州華冠針紡織品有限公司 (Fuzhou Huaguan Knitting and Springing Company Limited), a wholly foreign owned-enterprise established in the PRC with limited liability which is 100% indirectly held by the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	entity and its ultimate beneficial owner(s) which is/are third party(ies) independent of and not connected with the Company and any connected persons (as defined in the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	A shareholder’s loan in the sum of HK\$35 million to be owed by Wide Launch to the Wide Launch Vendor after the Reorganisation (such shareholder’s loan as may be owing by Wide Launch to the Wide Launch Vendor immediately prior to completion)
“Main Board”	the main board of the Stock Exchange
“PRC”	the People’s Republic of China

“Previous Owner”	Grand Business Investment Limited (宏業投資有限公司), a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by the Wide Launch Vendor, an Independent Third Party
“Property”	a manufacturing plant, equipment and ancillary facilities located at 中國河南省新鄭市龍湖鎮雙湖大街 (Shuang Hu Da Street, Long Hu Town, Xincheng City, Henan Province, the PRC) with a total area of 297,086.03 square meters which is held by Zhengzhou Hongye
“Reorganisation”	the transfer of the entire equity interest in Zhengzhou Hongye from the Previous Owner to Well Master, one of the conditions precedent to the Acquisitions
“Right Lane”	Right Lane International Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the shares of HK\$0.01 in the issued share capital of the Company
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Talent Crown”	Talent Crown Investment Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Chen Dong. Mr. Chen Dong is an executive Director
“Well Master”	Well Master Enterprise Limited (佳萬企業有限公司), a company incorporated in Hong Kong with limited liability on 14 November 2007 which is wholly-owned by Wide Launch
“Wide Launch”	Wide Launch Investment Limited (廣興投資有限公司), a company incorporated in the British Virgin Islands with limited liability on 14 September 2007 which is wholly-owned by the Wide Launch Vendor
“Wide Launch Group”	Wide Launch, Well Master and Zhengzhou Hongye
“Wide Launch Vendor”	Mr. Lin Shantan (林善談), the vendor to the Acquisition I
“Zhengzhou Hongye”	鄭州宏業紡織有限公司 (Zhengzhou Hongye Textile Company Limited), a wholly foreign-owned enterprise established in the PRC with limited liability on 14 August 2006 and is 100% held by the Previous Owner before the Reorganisation and will be 100% held by Well Master after the Reorganisation

- “Zhengzhou Huatai” 鄭州華泰紡織有限公司 (Zhengzhou Huatai Textile Company Limited), a domestic enterprise established in the PRC with limited liability on 5 June 2007 and is 100% held by the Zhengzhou Huatai Vendors
- “Zhengzhou Huatai Vendors” Mr. Xu Bao Fang (許寶芳) and Mr. Chen Bao Rong (陳寶榮), the vendors to the Acquisition II

For illustrative purposes in this announcement only, exchange of RMB into HK\$ has been carried out at an exchange rate of HK\$1 = RMB0.9174.

By the order of the Board  
**Art Textile Technology International Company Limited**  
**Chen Jinyan**  
*Chairman*

Hong Kong, 17 March 2008

*As at the date of this announcement, the executive directors of the Company are Mr. Chen Jinyan, Mr. Chen Dong and Ms. Kong Ping; and the independent non-executive directors of the Company are Mr. Lo Kin Chung, Mr. Huang Yongfeng and Mr. Yu Zhong Ming.*