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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: 1382)**

**ANNOUNCEMENT  
CONTINUING CONNECTED TRANSACTIONS**

**Advised by**

**ANGLO CHINESE** 英高  
CORPORATE FINANCE, LIMITED

**SUMMARY**

The Company was informed by Brandix and Linea that on 24 August 2007, Brandix acquired from Linea 48% shareholding in PT Sri Lanka. An existing interest free shareholders' loans amounting to US\$8,619,254 granted by Linea to PT Sri Lanka was assigned to Brandix by Linea. Following the Acquisition, Brandix will own 48% shareholding in PT Sri Lanka.

According to the Listing Rules, Brandix, by virtue of its 48% shareholding in PT Sri Lanka, a subsidiary of the Company, is regarded as a connected person of the Company. Brandix Group and its associates are therefore also regarded as connected persons of the Company.

Brandix Group, currently provides, and will continue to provide printing services of knitted fabrics to the Group. The Group also currently sells, and will continue to sell, knitted fabrics to Brandix Group and its associates. Such transactions between the Group and Brandix Group and its associates will constitute continuing connected transactions subject to the relevant requirements under Chapter 14A of the Listing Rules following the completion of the Acquisition.

**INTRODUCTION**

The Company was informed by Brandix and Linea that on 24 August 2007, Brandix acquired from Linea 48% shareholding in PT Sri Lanka. An existing interest free shareholders' loans amounting US\$8,619,254 granted by Linea to PT Sri Lanka was assigned to Brandix by Linea. Following the Acquisition, Brandix will own 48% shareholding in PT Sri Lanka.

According to the Listing Rules, Brandix, by virtue of its 48% shareholding in PT Sri Lanka, a subsidiary of the Company, is regarded as a connected person of the Company. Brandix Group and its associates are therefore also regarded as connected persons of the Company.

\* For identification only

Brandix Group, currently provides, and will continue to provide printing services of knitted fabrics to the Group. Such transactions between Brandix Group and the Group will constitute continuing connected transactions under the Listing Rules upon the completion of the Acquisition. Brandix Group has provided fabrics printing services to the Group since 2004.

The Group also currently sells, and will continue to sell, knitted fabrics to Brandix Group and its associates. Such transactions between the Group and Brandix Group and its associates will constitute continuing connected transactions under the Listing Rules upon the completion of the Acquisition. The Group has sold knitted fabrics to Brandix Group and its associates since 2001.

Against this background, on 27 August 2007, the Company and Brandix entered into the Brandix Printing Services Master Agreement and the Brandix Sale of Products Master Agreement in respect of the continuing connected transactions mentioned above and more fully particularised below.

## **DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS**

### **1. Continuing connected transactions exempt from the independent shareholders' approval requirement**

#### *Printing services provided by Brandix Group*

Pursuant to the Brandix Printing Services Master Agreement, the parties would enter into, and procure their respective subsidiaries and associates to enter into, transactions at prices determined on an arm's length basis and comparable to the prevailing market rates or at rates similar to those offered by the Group to independent third parties and subject to other terms and conditions set out therein. The Brandix Printing Services Master Agreement has an initial term from 24 August 2007 to 31 March 2010 and shall, subject to compliance by the Group of the relevant requirements applicable to continuing connected transactions under the Listing Rules, automatically renew for a term of three years (or such other period permitted under the Listing Rules) after expiry of the initial term.

Brandix Group has provided fabrics printing services to the Group since 2004. For each of the years ended 31 March 2005, 2006 and 2007, the aggregate fees in relation to fabric printing services paid by the Group to Brandix Group amounted to approximately HK\$2,632,000, HK\$3,652,000 and HK\$3,702,000 respectively and accounted for approximately 0.09%, 0.11% and 0.09% of the Group's revenue for the respective years.

It is proposed that annual caps for the Brandix Printing Services Master Agreement shall be approximately HK\$7.4 million, HK\$14.8 million and HK\$29.6 million for each of the three years ending 31 March 2010 respectively. The proposed annual caps for the three years ending 31 March 2010 have been estimated based on (i) historical compound annual sales growth rate of the Group of approximately 23% for the four financial years ended 31 March 2007; (ii) the enhancement plan to double the production capacity of PT Sri Lanka after its completion; and (iii) the corresponding increase in the printed fabric business of PT Sri Lanka for each of the three years ending 31 March 2010.

The Directors (including INEDs) have confirmed that the fees charged for the printing services provided by Brandix Group and its associates to the Group have been determined on an arm's length basis by reference to the prevailing market rates or at rates similar to those offered by Brandix Group and its associates to any other independent third party customers.

The Directors (including INEDs) are of the opinion that the transactions contemplated under the Brandix Printing Services Master Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of Brandix Printing Services Master Agreement are fair and reasonable and in the interest of the Shareholders as a whole.

## **2. Non-exempt continuing connected transactions**

### *Sale of products to Brandix Group and its associates*

Pursuant to the Brandix Sale of Products Master Agreement, the parties would enter into, and procure their respective subsidiaries and associates to enter into, transactions at prices determined on an arm's length basis and comparable to the prevailing market rates or at rates similar to those offered by the Group to independent third parties and subject to other terms and conditions set out therein. The Brandix Sale of Products Master Agreement has, subject to independent shareholders' approval at EGM, an initial term from 24 August 2007 to 31 March 2010 and shall, subject to compliance by the Group of the relevant requirements applicable to continuing connected transactions under the Listing Rules, automatically renew for a term of three years (or such other period permitted under the Listing Rules) after expiry of the initial term.

The Group has sold knitted fabrics to Brandix Group and its associates since 2001. For each of the years ended 31 March 2005, 2006 and 2007, the aggregate sales of knitted fabrics from the Group to Brandix Group and its associates amounted to approximately HK\$52,182,000, HK\$123,337,000 and HK\$213,618,000 respectively and accounted for approximately 1.79%, 3.67% and 5.08% of the Group's revenue for the respective years. The growth rate of such proportion to the Group's revenue from 3.67% for the year ended 31 March 2006 to 5.08% for the year ended 31 March 2007 was approximately 38%.

Brandix Group has been in the process of consolidating its suppliers since the mid of 2005 and the Company was one of their chosen suppliers. As a result of such consolidation, the Group's sales to Brandix Group for the financial year ended 31 March 2006 increased significantly. The Company is of the view that with Brandix Group's consolidation of its suppliers, the growth of the Group's sales to Brandix Group was faster than the growth of the total sales of the Group. Sales to Brandix Group increased by 136.4% and 73.2% for each of the two financial years ended 31 March 2007, respectively, on a year to year basis. On the other hand, the growth of the total sales of the Group for each of the two financial years ended 31 March 2007 was 15.1% and 25%, respectively. In light of the faster growth rate of sales to Brandix Group as explained above, the percentage of sales to Brandix Group to the total sales of the Group was 1.79%, 3.67% and 5.08% for each of the three financial years ended 31 March 2007, respectively.

It is proposed that annual caps for the Brandix Sale of Products Master Agreement shall be approximately HK\$363 million, HK\$616 million and HK\$1,045 million for each of the three years ending 31 March 2010 respectively. The proposed annual caps for the three years to 31 March 2010 take into account (i) the historical compound annual sales growth rate of the Group of approximately 23% for the four financial years ended 31 March 2007; (ii) the increasing trend of the proportion of

the Group's sales of knitted fabrics to Brandix Group over the Group's revenue for the three financial years ended 31 March 2007; and (iii) the growth rate of the percentage of Group's sales of knitted fabrics to Brandix Group on the total revenue of the Group for the financial year ended 31 March 2007 of approximately 38% described above.

The Directors (including INEDs) have confirmed that prices of the knitted fabrics sold to Brandix Group and its associates have been determined on an arm's length basis by reference to the prevailing market rates or at rates similar to those offered by the Group to any other independent third party customers.

The Directors (including INEDs) are of the opinion that the proposed annual caps are fair and reasonable and that the transactions contemplated under the Brandix Sale of Products Master Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Brandix Sale of Products Master Agreement are fair and reasonable and in the interest of the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

In relation to the Brandix Printing Services Master Agreement, as the relevant percentage ratios under Chapter 14A of the Listing Rules are more than 0.1% but less than 2.5% on an annual basis, the continuing connected transactions contemplated under the Brandix Printing Services Master Agreement will be subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

In relation to the Brandix Sale of Products Master Agreement, as the relevant percentage ratios defined under Chapter 14A of the Listing Rules is more than 2.5% on an annual basis and the maximum annual consideration is more than HK\$10,000,000, the continuing connected transactions contemplated under the Brandix Sale of Products Master Agreement are subject to the independent shareholders' approval, reporting and announcement requirements under Chapter 14A of the Listing Rules.

The Company will convene an EGM to approve, inter alia, the Brandix Sale of Products Master Agreement and the proposed annual caps in respect of the continuing connected transactions contemplated by the Brandix Sale of Products Master Agreement. Such voting at the EGM will be taken on poll. None of the Shareholders will be required to abstain from voting at the EGM in respect of the ordinary resolution to approve the Brandix Sale of Products Master Agreement and the proposed annual caps. The Company has established an Independent Board Committee comprising all INEDs to advise the Shareholders. Karl Thomson Financial Advisory Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee.

A circular containing, among other things, the advice of the Independent Financial Adviser (in relation to the terms of the Brandix Sale of Products Master Agreement as well as the proposed annual caps on the continuing connected transactions contemplated by the Brandix Sale of Products Master Agreement) and the recommendations of the Independent Board Committee and the notice of EGM, will be despatched to the Shareholders as soon as possible.

The Company will comply with the relevant applicable requirements under Chapter 14A of the Listing Rules in relation to the annual review of the continuing connected transactions mentioned above.

## **INFORMATION ABOUT THE COMPANY AND BRANDIX**

The Company is an investment holding company. Its subsidiaries are principally engaged in manufacturing and selling of customised knitted fabrics.

Brandix is a company with limited liability and incorporated in Sri Lanka in 2002. Brandix engages in development, manufacturing and marketing of textiles and apparel products. None of the Directors or his associates has interest in Brandix. As far as the Company is aware, none of Brandix Group or its associates has any interest in the Company.

### **DEFINITIONS**

“Acquisition”	the acquisition by Brandix from Linea of a shareholding of 48% in PT Sri Lanka, pursuant to a sale and purchase agreement between Brandix and Linea dated 24 August 2007, which was completed on the same day
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Brandix”	Brandix Lanka Limited, a company with limited liability and incorporated in Sri Lanka in 2002
“Brandix Group”	Brandix and its subsidiaries
“Brandix Printing Services Master Agreement”	a printing services master agreement between the Company and Brandix dated 27 August 2007
“Brandix Sale of Products Master Agreement”	a sale of products master agreement between the Company and Brandix dated 27 August 2007
“Company”	Pacific Textiles Holdings Limited, a company incorporated in the Cayman Islands and whose shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be held in September 2007 to consider and approve, inter alia, the Brandix Sale of Products Master Agreement and the proposed annual caps in relation to the continuing connected transactions contemplated by the Brandix Sale of Products Master Agreement
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Board Committee”	the independent board committee comprising all the INEDs, namely Mr. Ng Ching Wah, Mr. Sze Kwok Wing, Nigel and Mr. Chan Yue Kwong, Michael
“Independent Financial Adviser”	Karl Thomson Financial Advisory Limited, a corporation licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out type 6 regulated activities (advising on corporate finance), the independent financial adviser appointed to advise the Independent Board Committee in relation to the Brandix Sale of Products Master Agreement
“INEDs”	independent non-executive Directors of the Company
“Linea”	Linea Clothing (Private) Limited, a company incorporated in Sri Lanka, was owned as to approximately 33.30% and 66.70% by Brandix and MAS, respectively, prior to the Acquisition. It owned 48% of PT Sri Lanka prior to the Acquisition
“Listing Rules”	Rule Governing The Listing of Securities of The Stock Exchange of Hong Kong Limited
“MAS”	MAS Capital Private Limited, a company incorporated in Sri Lanka
“PTJH”	Pacific Textured Jersey Holdings Limited, a wholly-owned subsidiary of the Company and an international business company incorporated in the British Virgin Islands, which owns 52% of PT Sri Lanka
“PT Sri Lanka”	Textured Jersey Lanka (Private) Limited, a limited liability company incorporated under the laws of Sri Lanka, is owned as to approximately 52% and 48% by PTJH and Brandix, respectively, as at the date of this announcement
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board  
**Pacific Textiles Holdings Limited**  
**Wan Wai Loi**  
*Chairman*

Hong Kong, 30 August 2007

*As at the date of this announcement, the executive Directors are Mr. WAN Wai Loi (Chairman), Mr. TSANG Kang Po, Mr. LAM Wing Tak and Dr. LAM King Man, the non-executive Directors are Mr. CHOI Kin Chung, Mr. IP Ping Im, Mr. HO Hsiang Ming, James and Mr. LAU Yiu Tong, and the independent non-executive Directors are Mr. NG Ching Wah, Mr. SZE Kwok Wing, Nigel and Mr. CHAN Yue Kwong, Michael.*