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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: 01382)

REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS WITH BRANDIX LANKA LIMITED

Reference is made to the Company's announcement and circular dated 26 February 2010 and 11 March 2010 respectively in relation to, among others, renewal of the continuing connected transactions between the Group and the Brandix Group under the Brandix Sale of Products Master Agreement for a term of three years ending 31 March 2013.

The Company's internal reporting revealed that the transaction amount of the aggregate sales of knitted fabrics from the Group to the Brandix Group (other than PT Sri Lanka) under the Brandix Sale of Products Master Agreement for the year ending 31 March 2011 is expected to exceed the existing annual cap of HK\$377 million for the year ending 31 March 2011. This is mainly due to the sharp increase in the costs of yarn which is the main raw materials of knitted fabrics, particularly in the fourth quarter of 2010, which has in turn resulted in an increase in the selling price by more than 10%.

The Board proposes to revise the annual caps for the Transaction for each of the three years ending 31 March 2013 to HK\$450 million, HK\$675 million and HK\$1,012.5 million, respectively. Since each of the applicable percentage ratios exceeds 5%, the Transaction is subject to the reporting, annual review, announcement and independent shareholders approval requirements under Chapter 14A of the Listing Rules.

An EGM will be convened to seek the independent Shareholders' approval of the proposed revised annual caps for the Transaction. Karl Thomson Financial Advisory Limited has been appointed as the independent financial adviser to advise the independent board committee in relation to the proposed revised annual caps for the Transaction. A circular containing, among others, further details of the Transaction, the respective advice of the Independent Financial Adviser and the independent board committee and the notice of the EGM, will be dispatched to the Shareholders on or before 31 March 2011 in accordance with the Listing Rules.

* *For identification only*

BACKGROUND

Reference is made to the Company's announcement and circular dated 26 February 2010 and 11 March 2010 respectively in relation to, among others, renewal of the continuing connected transactions between the Group and the Brandix Group under the Brandix Sale of Products Master Agreement for a term of three years ending 31 March 2013.

The Company's internal reporting revealed that the transaction amount of the aggregate sales of knitted fabrics from the Group to the Brandix Group (other than PT Sri Lanka) under the Brandix Sale of Products Master Agreement for the year ending 31 March 2011 is expected to exceed the existing annual cap of HK\$377 million for the year ending 31 March 2011. This is mainly due to the sharp increase in the costs of yarn which is the main raw materials of knitted fabrics, particularly in the fourth quarter of 2010, which has in turn resulted in an increase in the selling price by more than 10%.

The Board proposes to revise the annual caps for the Transaction for each of the three years ending 31 March 2013.

THE TRANSACTION

The Group has sold knitted fabrics to the Brandix Group since 2001. Pursuant to the Brandix Sale of Products Master Agreement, the Company agreed to sell and procure the other members of the Group to sell, and Brandix agreed to purchase or procure the relevant members of the Brandix Group to purchase, knitted fabrics manufactured or owned by any member of the Group 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 any other independent third party.

The Brandix Sale of Products Master Agreement has an initial term from 24 August 2007 to 31 March 2010 and was automatically renewed for a further term of three years ending 31 March 2013.

EXISTING ANNUAL CAPS AND REVISED ANNUAL CAPS

Set out below are (i) the existing annual caps approved at the extraordinary general meeting of the Company held on 26 March 2010 and (ii) the proposed revised annual caps, for the Transaction for each of the three years ending 31 March 2013:-

	Existing Annual Caps	Revised Annual Caps
For the year ending 31 March 2011:	HK\$377 million	HK\$450 million
For the year ending 31 March 2012:	HK\$490 million	HK\$675 million
For the year ending 31 March 2013:	HK\$637 million	HK\$1,012.5 million

The proposed revised annual caps for each of the three years ending 31 March 2013 have been estimated with reference to (i) the transaction amount for the year ended 31 March 2010 of approximately HK\$280.8 million; (ii) the transaction amount for the period from 1 April 2010 to 28 February 2011; and (iii) the annual growth rate of the transaction amount of 50%.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group is principally engaged in manufacturing and selling customised knitted fabrics with a focus on complex, value-added fabrics. Brandix engages in the development, manufacturing and marketing of textiles and apparel products. Brandix, by virtue of its 40% shareholding in PT Sri Lanka, a subsidiary of the Company, is regarded as a connected person of the Company. The Brandix Group are therefore regarded as connected persons of the Company. The Transaction generates revenue for the Group and is therefore beneficial to the Group.

The Directors (including the INEDs) have confirmed that the prices of the knitted fabrics sold to the Brandix Group by 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 the Group to any other independent third party.

The Directors (excluding the INEDs who will provide their advice after having received the advice from the Independent Financial Adviser) are of the opinion that the Transaction is 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 (including the proposed revised annual caps) are fair and reasonable and in the interest of the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Since each of the applicable percentage ratios with reference to the proposed annual caps exceeds 5%, the Transaction is subject to the reporting, annual review, announcement and independent shareholders approval requirements under Chapter 14A of the Listing Rules.

An EGM will be convened to seek the independent Shareholders' approval of the proposed revised annual caps for the Transaction. Karl Thomson Financial Advisory Limited has been appointed as the independent financial adviser to advise the independent board committee in relation to the proposed revised annual caps for the Transaction. A circular containing, among others, further details of the Transaction, the respective advice of the Independent Financial Adviser and the independent board committee and the notice of the EGM, will be dispatched to the Shareholders on or before 31 March 2011 in accordance with the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context otherwise requires:

“Board”	the board of Directors of the Company
“Brandix”	Brandix Lanka Limited, a company incorporated in Sri Lanka with limited liability
“Brandix Group”	Brandix, its subsidiaries and associates
“Brandix Sale of Products Master Agreement”	a master agreement between the Company and Brandix dated 27 August 2007 relating to the sale of products by the Group to the Brandix Group
“Company”	Pacific Textiles Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Directors”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held to consider and approve the proposed revised annual caps
“Group”	the Company and 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 Financial Adviser”	Karl Thomson Financial Advisory Limited, a corporation licensed under the SFO (Chapter 571 of the Laws of Hong Kong) to carry out type 6 regulated activities (advising on corporate finance)
“INED”	the independent non-executive Directors
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PT Sri Lanka”	Textured Jersey Lanka (Private) Limited, a limited liability company incorporated under the laws of Sri Lanka, which is owned as 60% by a wholly owned subsidiary of the Company and 40% by Brandix
“Shareholders”	the shareholders of the Company

“Sri Lanka”	Democratic Socialist Republic of Sri Lanka
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	transactions contemplated under the Brandix Sale of Products Master Agreement
“%”	per cent

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

Hong Kong, 10 March 2011

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