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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)**

**PROPOSED SPIN-OFF AND SEPARATE LISTING OF  
TEXTURED JERSEY LANKA (PRIVATE) LIMITED ON  
THE MAIN BOARD OF THE COLOMBO STOCK EXCHANGE**

**POSSIBLE DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO  
THE PRE-IPO PRIVATE PLACEMENT AND PUBLIC OFFER OF  
SHARES IN  
TEXTURED JERSEY LANKA (PRIVATE) LIMITED**

The Board is pleased to announce the proposed spin-off of PT Sri Lanka (a 60%-owned subsidiary of the Company) for separate listing on the Main Board of the Colombo Stock Exchange.

It is expected that incidental to the Proposed Listing, PTJH and Brandix will offer part of their PT Sri Lanka Shares for sale to certain institutional investors under the Pre-IPO Private Placement, which will be followed by the PT Sri Lanka IPO whereby PT Sri Lanka will issue new PT Sri Lanka Shares to the public in Sri Lanka.

PTJH's interest in PT Sri Lanka will be reduced from 60% to approximately 45.57% after completion of the Pre-IPO Private Placement, and further reduced to approximately 40.00% after completion of the PT Sri Lanka IPO.

\* For identification only

The Company has submitted an application for the Proposed Spin-off to the Stock Exchange and the Stock Exchange has confirmed that it may proceed with the Proposed Spin-off. It is expected that PT Sri Lanka will submit the listing application to the Main Board of the Colombo Stock Exchange shortly.

According to Practice Note 15, the Company is expected to provide its Shareholders with an assured entitlement to PT Sri Lanka Shares. The Directors consider that strict compliance with the assured entitlement requirement would not be for the benefit of the Company or its Shareholders. Given the size of the PT Sri Lanka IPO, the value of the assured entitlement to its Shareholders would not be substantial and would not worth the costs that may be incurred for providing the assured entitlement. The Company therefore proposes to convene the EGM to seek its Minority Shareholders' approval of the Waiver.

By virtue of its 40% shareholding in PT Sri Lanka, Brandix is a connected person of the Company and a controller of PT Sri Lanka within the meaning under Rule 14A.10(3) of the Listing Rules. Therefore, the Pre-IPO Private Placement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Since each of the relevant percentage ratios exceeds 5% but is less than 25%, the Pre-IPO Private Placement will, should it proceed, constitute a discloseable and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules. Independent Shareholders' approval will be sought for approving the Pre-IPO Private Placement and the PT Sri Lanka IPO at the EGM.

Karl Thomson Financial Advisory Limited has been appointed as the independent financial adviser to advise the independent board committee and shareholders in relation to the Pre-IPO Private Placement, the PT Sri Lanka IPO and the Waiver. A circular containing, among other things, details of the Pre-IPO Private Placement, the PT Sri Lanka IPO and the Waiver, a letter of advice from the Independent Financial Adviser and a letter from the independent board committee, together with a notice to convene the EGM to approve the Pre-IPO Private Placement, the PT Sri Lanka IPO and the Waiver, will be despatched to the Shareholders as soon as practicable, but is expected to be no later than 11 April 2011.

**The Pre-IPO Private Placement and the PT Sri Lanka IPO are subject to, among other things, the independent Shareholders' approval, the Minority Shareholders' approval of the Waiver and the Colombo Stock Exchange's approval of the Proposed Listing. Accordingly, the Proposed Spin-off may or may not occur. Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company.**

## **PROPOSED SPIN-OFF**

The Board is pleased to announce the proposed spin-off of PT Sri Lanka (a 60%-owned subsidiary of the Company) for separate listing on the Main Board of the Colombo Stock Exchange.

PT Sri Lanka is a limited liability company incorporated in Sri Lanka. PT Sri Lanka is owned as to 60% by PTJH, a wholly-owned subsidiary of the Company and 40% by Brandix. PT Sri Lanka is principally engaged in the manufacture and sale of weft knitted fabrics in Sri Lanka.

The Company has submitted an application for the Proposed Spin-off to the Stock Exchange and the Stock Exchange has confirmed that it may proceed with the Proposed Spin-off. It is expected that PT Sri Lanka will submit the listing application to the Main Board of the Colombo Stock Exchange shortly.

## **THE PRE-IPO PRIVATE PLACEMENT AND THE PT SRI LANKA IPO**

As at the date of this announcement, PT Sri Lanka has an issued share capital of Rupees 1,597,229,000 (approximately HK\$114,297,000) divided into 159,722,900 shares of Rupees 10 each, which are owned as to 60% by PTJH and 40% by Brandix. It is expected that each share of Rupees 10 each of PT Sri Lanka will be sub-divided in a ratio of 5 into 18 such that there will be a total of 575,002,440 PT Sri Lanka Shares in issue immediately after such sub-division.

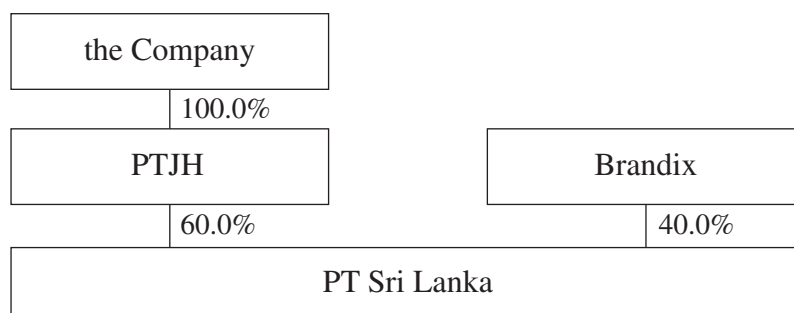
It is proposed that shortly before the PT Sri Lanka IPO, the Pre-IPO Private Placement will take place whereby PTJH will offer 83,000,000 PT Sri Lanka Shares and Brandix will offer 33,000,000 PT Sri Lanka Shares, for sale to certain institutional investors. Immediately after completion of the Pre-IPO Private Placement, the shareholdings of PTJH and Brandix in PT Sri Lanka will drop from 60% to 45.57% and 40% to 34.26% respectively.

Under the PT Sri Lanka IPO, PT Sri Lanka will issue 80,000,000 new PT Sri Lanka Shares, to the public in Sri Lanka. Immediately after completion of the PT Sri Lanka IPO, the shareholdings of PTJH and Brandix in PT Sri Lanka will drop from 45.57% to 40.00% and 34.26% to 30.08% respectively.

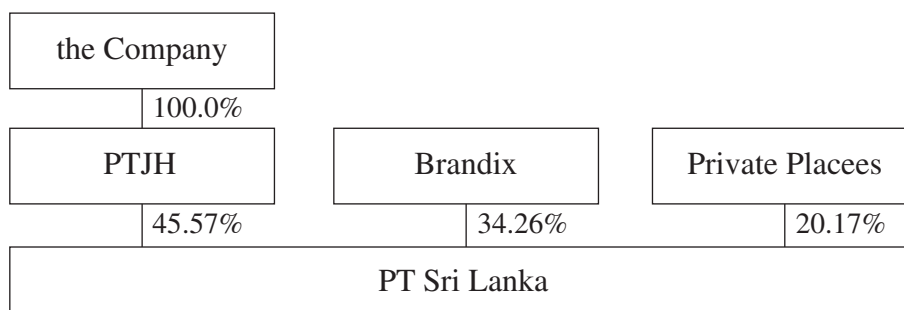
It is proposed that the placees and/or subscribers of PT Sri Lanka Shares under the Pre-IPO Private Placement and the PT Sri Lanka IPO and their respective ultimate beneficial owners will be third parties independent of the Company and its connected persons.

The shareholding structures of PT Sri Lanka as at the date hereof, immediately after completion of the Pre-IPO Private Placement and immediately after completion of the PT Sri Lanka IPO are set out below:

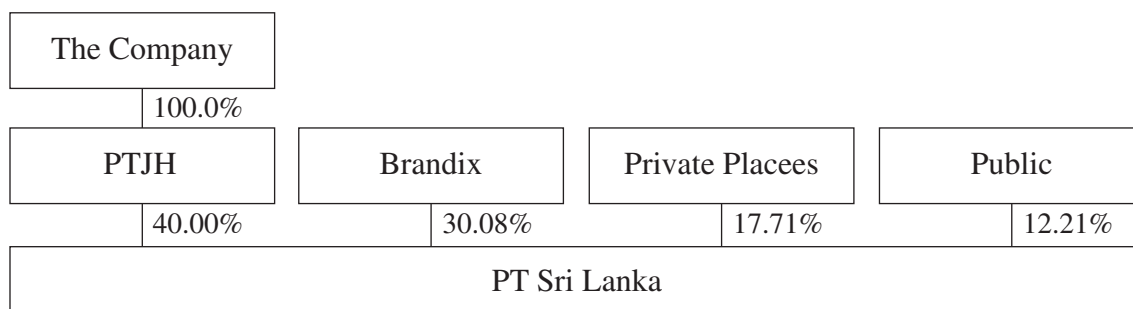
*As at the date hereof :*



*Upon completion of the Pre-IPO Private Placement :*



*Upon completion of the Pre-IPO Private Placement and the PT Sri Lanka IPO :*



The indicative Offer Price is US\$0.1376 per PT Sri Lanka Share, which is determined on the basis of 17.9 times of the net earnings of PT Sri Lanka for the financial year ended 31 March 2010. The placing price under the Pre-IPO Private Placement is expected to be the same as such indicative Offer Price. The final Offer Price shall be determined between the directors of PT Sri Lanka and the underwriter(s)/placement agent(s) for the PT Sri Lanka IPO subject to the then prevailing market sentiments.

Based on the indicative Offer Price, the total proceeds of sale of PT Sri Lanka Shares under the Pre-IPO Private Placement will amount to approximately US\$11.42 million (approximately HK\$89.08 million). The gain expected to accrue to the Group under the Pre-IPO Private Placement will amount to approximately US\$9.58 million (approximately HK\$74.72 million).

### **OTHER ARRANGEMENTS IN RESPECT OF PT SRI LANKA**

It is expected that PTJH and Brandix will enter into an agreement in connection with the Proposed Listing, whereby PTJH and Brandix will agree with each other that:-

- (a) within two years upon the Proposed Listing, they will not dispose of the PT Sri Lanka Shares then held by them, and within three years after the said two-year period, if one of them disposes of any of its PT Sri Lanka Shares, the other party shall dispose of such number of PT Sri Lanka Shares which will result in both parties maintaining their shareholding (in relation to each other) in the same proportion as at the time of the Proposed Listing, provided that the collective shareholding shall not fall below 51% of the total issued shares of PT Sri Lanka at any time during such three-year period; and
- (b) upon the Proposed Listing, in respect of certain important matters of PT Sri Lanka, each of PTJH and Brandix shall not vote in favor of such resolution unless the other party has given its consent in writing to vote in favor of such resolution; and if PTJH or Brandix does not give its written consent to the other party with respect to any resolution, PTJH and Brandix shall vote against such resolution.

### **FINANCIAL INFORMATION OF PT SRI LANKA**

Based on the audited financial statements of PT Sri Lanka prepared under the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka, the net profits for each of the two years ended 31 March 2010 are set out below:

	<b>Year ended 31 March</b>			
	<b>2009</b>		<b>2010</b>	
	<i>US\$'000</i>	<i>HK\$'000</i>	<i>US\$'000</i>	<i>HK\$'000</i>
Net profit before taxation	5,030	39,234	1,311	10,226
Net profit after taxation	5,030	39,234	1,311	10,226

The net asset value of PT Sri Lanka as at 30 September 2010 as shown in the unaudited financial statements of PT Sri Lanka drawn up to 30 September 2010 was US\$53,635,000 (approximately HK\$418,353,000).

## **CONDITIONS TO THE PROPOSED SPIN-OFF**

The Proposed Spin-off is conditional upon:-

- the Stock Exchange's approval of the Proposed Spin-off;
- the independent Shareholders' approval of the Pre-IPO Private Placement and the PT Sri Lanka IPO;
- the Minority Shareholders' approval of the Waiver;
- the Colombo Stock Exchange's approval of the Proposed Listing;
- the terms and structure of the Pre-IPO Private Placement and the PT Sri Lanka IPO being agreed among PTJH, Brandix and the underwriters and placement agents.

If any of the above conditions are not fulfilled, the Proposed Spin-off will not proceed and the Company will issue an announcement accordingly as soon as practicable.

## **FINANCIAL EFFECT OF THE PROPOSED SPIN-OFF**

PT Sri Lanka's total assets as shown in its unaudited financial statements drawn up to 30 September 2010 accounted for 8.4% of the Company's total assets as shown in the Company's interim report for the six months ended 30 September 2010. PT Sri Lanka's profits and revenue as shown in its audited accounts for the year ended 31 March 2010 accounted for 4.1% and 9.6% respectively of the Company's profits and revenue as shown in the Company's audited accounts for the year ended 31 March 2010. Given the relatively small size of PT Sri Lanka as compared with the remaining Group, the Company considers that the Proposed Spin-off will not have any material adverse impact on the assets, liabilities and earnings of the Group.

PT Sri Lanka will no longer be a subsidiary of the Company immediately after completion of the Pre-IPO Private Placement. PT Sri Lanka will be accounted for as an associated company of the Company. Upon completion of the Pre-IPO Private Placement and the PT Sri Lanka IPO, approximately 40.00% of its results will be equity accounted for in the financial statements of the Group.

## **REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF**

The Proposed Spin-off will improve the company profile and status of PT Sri Lanka and provide PT Sri Lanka with flexibility and a separate platform for raising funds from capital markets to support its growth. The Company will, through its holding of approximately 40.00% immediately upon completion of the Pre-IPO Private Placement and the PT Sri Lanka IPO, continue to enjoy the benefits from the growth and development of the business of PT Sri Lanka.

The Company can make use of the proceeds from the disposal of PT Sri Lanka Shares by PTJH under the Pre-IPO Private Placement of approximately US\$11.42 million (approximately HK\$89.08 million) for the expansion and development of the remaining business of the Group which will enhance the shareholders' investment in the Company.

The Directors (except the independent non-executive Directors who will provide their recommendation after reviewing the letter of advice from the Independent Financial Adviser) considered that the terms of the Pre-IPO Private Placement and the PT Sri Lanka IPO are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **ASSURED ENTITLEMENT AND WAIVER**

According to Practice Note 15, the Company is expected to provide its Shareholders with an assured entitlement to PT Sri Lanka Shares. PT Sri Lanka is proposed to be listed outside Hong Kong, and PT Sri Lanka Shares under any assured entitlement can only be made available to the Shareholders by way of a public offering in Hong Kong.

If assured entitlement is to be provided on the basis that PT Sri Lanka will allocate 5% of the total size of the offering under the PT Sri Lanka IPO (i.e. 4,000,000 PT Sri Lanka Shares) to be offered to the shareholders of the Company. The assured entitlement ratio would be 2.79 PT Sri Lanka Shares for every board lot of 1,000 shares of the Company. As odd lots would normally be traded below the market price, a number of shareholders of the Company will not be able to enjoy the benefit of the assured entitlement.

Both preferential offer and distribution in specie of PT Sri Lanka Shares to the shareholders of the Company are costly and unduly burdensome in the context of the PT Sri Lanka IPO. Given the size of the PT Sri Lanka IPO, the value of the assured entitlement to the Company's shareholders would not be substantial and would not worth the costs that may be incurred for providing the assured entitlement. Further, no trading facilities are expected to be provided to the shareholders in Hong Kong which means that investor interest is not expected to be significant.

For the reasons above, the Directors consider that strict compliance with the assured entitlement requirement under Practice Note 15 would not be for the benefit of the Company or its shareholders. The Company therefore proposes to convene the EGM to seek its Minority Shareholders' approval of the Waiver.

## **LISTING RULES IMPLICATIONS**

By virtue of its 40% shareholding in PT Sri Lanka, Brandix is a connected person of the Company and a controller of PT Sri Lanka within the meaning under Rule 14A.10(3) of the Listing Rules. Therefore, the Pre-IPO Private Placement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Since each of the relevant percentage ratios exceeds 5% but is less than 25%, the Pre-IPO Private Placement will, should it proceed, constitute a discloseable and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules. Independent Shareholders' approval will be sought for approving the Pre-IPO Private Placement and the PT Sri Lanka IPO at the EGM.

Karl Thomson Financial Advisory Limited has been appointed as the independent financial adviser to advise the independent board committee and shareholders in relation to the Pre-IPO Private Placement, the PT Sri Lanka IPO and the Waiver. A circular containing, among other things, details of the Pre-IPO Private Placement, the PT Sri Lanka IPO and the Waiver, a letter of advice from the Independent Financial Adviser and a letter from the independent board committee, together with a notice to convene the EGM to approve the Pre-IPO Private Placement, the PT Sri Lanka IPO and the Waiver, will be despatched to the Shareholders as soon as practicable, but is expected to be no later than 11 April 2011.

## **GENERAL**

The Group is principally engaged in manufacturing and selling of customised knitted fabrics with a focus on complex, value-added fabrics.

**The Pre-IPO Private Placement and the PT Sri Lanka IPO are subject to, among other things, the independent Shareholders' approval, the Minority Shareholders' approval of the Waiver and the Colombo Stock Exchange's approval of the Proposed Listing. Accordingly, the Proposed Spin-off may or may not occur. Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company.**



## 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, which currently owns 40% interest in PT Sri Lanka. Brandix engages in development, manufacturing and marketing of textiles and apparel products
“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”	the extraordinary general meeting of the Company to be convened to consider and if thought fit, to approve the Pre-IPO Private Placement, the PT Sri Lanka IPO and the Waiver
“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)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Minority Shareholders”	Shareholders other than the Directors (excluding Independent non-executive Directors), chief executive of the Company and their respective associates
“Offer Price”	the offer price per Offer Share
“Offer Shares”	the PT Sri Lanka Shares to be offered to the public in Sri Lanka and institutional investors under the Pre-IPO Private Placement and the PT Sri Lanka IPO

“Practice Note 15”	Practice Note 15 to the Listing Rules
“Pre-IPO Private Placement”	the placement of part of the PT Sri Lanka Shares currently held by PTJH and Brandix to certain institutional investors, which will take place shortly before the PT Sri Lanka IPO
“Proposed Spin-off”	proposed spin-off of PT Sri Lanka for separate listing on the Main Board of the Colombo Stock Exchange
“PTJH”	Pacific Textured Jersey Holdings Limited, a wholly-owned subsidiary of the Company, which currently owns 60% interest in PT Sri Lanka
“PT Sri Lanka”	Textured Jersey Lanka (Private) Limited, a limited liability company incorporated under the laws of Sri Lanka, which is currently owned as to 60% by PTJH and 40% by Brandix
“PT Sri Lanka IPO”	initial public offering of new PT Sri Lanka Shares to be issued by PT Sri Lanka for subscription by the public in Sri Lanka incidental to the Proposed Spin-off
“PT Sri Lanka Shares”	shares of PT Sri Lanka
“Rupees”	Sri Lanka rupees, the lawful currency of Sri Lanka
“Shareholders”	the shareholders of the Company
“Sri Lanka”	Democratic Socialist Republic of Sri Lanka
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States
“Waiver”	waiver from the strict compliance with the assured entitlement requirement under Practice Note 15 to be sought from the Minority Shareholders
“%”	per cent

*For the purpose of illustration only and unless otherwise stated, conversion of US\$ into HK\$ and US\$ into Rupees in this announcement are based on the exchange rate of US\$1 = HK\$7.8 and US\$1 = Rupee 109 and rounded to thousand. Such conversion should not be construed as a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate.*

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

Hong Kong, 18 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.*