

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, company secretary, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Pacific Textiles Holdings Limited (the "Company"), you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

CONTINUING CONNECTED TRANSACTIONS

**SALE OF PRODUCTS MASTER AGREEMENT
BETWEEN THE COMPANY AND BRANDIX LANKA LIMITED**

**Independent Financial Adviser to the Independent Board Committee of
Pacific Textiles Holdings Limited**



Karl Thomson Financial Advisory Limited

A letter from the Board of Directors of Pacific Textiles Holdings Limited is set out on pages 4 to 7 of this circular and a letter from the Independent Board Committee is set out on pages 8 to 9 of this circular.

A notice convening the EGM of the Company to be held at 7th Floor, Block B, Eastern Sea Industrial Building, 48-56 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong on Saturday, 6 October 2007 at 11:30 a.m. is set out on pages 28 to 29 of this circular. A form of proxy for use in connection with the EGM is enclosed herewith.

Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the head office and principal place of the Company in Hong Kong at 7th Floor, Block B, Eastern Sea Industrial Building, 48-56 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong, not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish.

* For identification purpose only

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DEFINITIONS

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

“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
“Announcement”	the announcement dated 30 August 2007 issued by the Company in relation to the Continuing Connected Transactions
“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 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 on 6 October 2007 to consider and approve, <i>inter alia</i> , 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
“FSTBC”	Fountain Set Textiles (B.C.) Limited, a limited liability company incorporated in the British Columbia, Canada on 2 April 1993 and a subsidiary of Fountain Set (Holdings) Limited, a company listed on the Main Board of the Stock Exchange

DEFINITIONS

“FSTO”	Fountain Set Textiles (Ontario) Ltd, a limited liability company incorporated in Ontario, Canada on 28 May 1996 and a subsidiary of Fountain Set (Holdings) Limited, a company listed on the Main Board of the Stock Exchange
“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” or “Karl Thomson”	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
“Latest Practicable Date”	10 September 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Linea”	Linea Clothing (Private) Limited, a company incorporated in Sri Lanka, which 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
“Non-Exempt Continuing Connected Transactions”	the continuing connected transactions contemplated under the Brandix Sale of Products Master Agreement

DEFINITIONS

“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
“SFO”	Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent

LETTER FROM THE BOARD



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)

Executive Directors

Mr. WAN Wai Loi (*Chairman*)
Mr. TSANG Kang Po (*Vice Chairman*)
Mr. LAM Wing Tak (*Chief Executive Officer*)
Dr. LAM King Man

Non-executive Directors

Mr. CHOI Kin Chung
Mr. IP Ping Im
Mr. HO Hsiang Ming, James
Mr. LAU Yiu Tong

Independent non-executive Directors

Mr. CHAN Yue Kwong, Michael
Mr. NG Ching Wah
Mr. SZE Kwok Wing, Nigel

Registered office

P.O. Box 309GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

Head office and principal place of business in Hong Kong

7th Floor, Block B
Eastern Sea Industrial Building
48-56 Tai Lin Pai Road
Kwai Chung
New Territories
Hong Kong

14 September 2007

Dear Shareholders,

CONTINUING CONNECTED TRANSACTIONS

SALE OF PRODUCTS MASTER AGREEMENT BETWEEN THE COMPANY AND BRANDIX LANKA LIMITED

1. INTRODUCTION

On 30 August 2007, the Board announced that the Company was informed by Brandix and Linea that on 24 August 2007, Brandix acquired from Linea 48% shareholding in PT Sri Lanka and the 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 purpose only

LETTER FROM THE BOARD

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.

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.

Details of the continuing connected transactions following completion of the Acquisition have been set out in the Announcement. Of which, the transactions contemplated under Brandix Sale of Products Master Agreement (i.e. the Non-Exempt Continuing Connected Transactions) constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules are subject to the reporting, announcement and shareholders' approval requirements.

The purpose of this circular is to (i) provide Shareholders with further information relating to the Non-Exempt Continuing Connected Transactions; (ii) set out the advice of Karl Thomson and the recommendation of the Independent Board Committee in respect of the Non-Exempt Continuing Connected Transactions; and (iii) give the Shareholders notice of the EGM and other information in accordance with the relevant requirements under Listing Rules.

2. DETAILS OF 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 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 prior to the Acquisition. 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

LETTER FROM THE BOARD

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 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.

3. LISTING RULES IMPLICATIONS OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

As the relevant percentage ratios defined under Chapter 14A of the Listing Rules are 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 shareholders' approval, reporting and announcement requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The Company will convene an EGM to be held on 6 October 2007 to consider, if thought fit, to pass an ordinary resolution in relation to the Non-Exempt Continuing Connected Transactions, the transactions contemplated under the Brandix Sale of Product Master Agreement. To the best of the Company's knowledge, none of the Shareholders will be required to abstain from voting at the EGM in respect of the ordinary resolution set out in the Notice of EGM. The resolution to be proposed at the EGM will be voted by poll. The Company will announce the results on the polls on the next business day following the EGM.

Notice of EGM is set out on pages 28 to 29 in this circular. A form of proxy for used by the Shareholders at the EGM is enclosed with this circular. Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy and return it to the head office and principal place of business of the Company in Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish.

4. RECOMMENDATION

Independent Board Committee comprising all the independent non-executive directors has been established to advise Shareholders of the Non-Exempt Continuing Connected Transactions.

Karl Thomson has been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders in respect of the Non-Exempt Continuing Connected Transactions. Karl Thomson considers that the Non-Exempt Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the proposed annual caps for the Non-Exempt Continuing Connected Transactions are fair and reasonable, and the terms of the agreement under which the Non-Exempt Continuing Connected Transactions contemplated are fair and reasonable and in the interest of Shareholders as a whole.

The Independent Board Committee, after considering the advice from Karl Thomson, concurs with the views of the Karl Thomson and recommend the Shareholders to vote in favour of the ordinary resolution set out in the Notice of EGM.

Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at EGM.

5. ADDITIONAL INFORMATION

Your attention is drawn to the letter of the Independent Board Committee set out on pages 8 and 9 of this circular, the letter from Karl Thomson to the Independent Board Committee and to the Shareholders set out on pages 10 to 19 of this circular in respect of the Non-Exempt Continuing Connected Transactions, and to the additional information set out in the appendix to this circular.

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



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)

14 September 2007

To the Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to the circular dated 14 September 2007 (the “Circular”) of which this letter forms part issued by the Company to the Shareholders. Terms used in this letter shall have the same meaning as defined in the Circular unless the context requires otherwise.

We, being the independent non-executive Directors, have been appointed as members of the Independent Board Committee, are writing to you to set out our opinion in respect of the Non-Exempt Continuing Connected Transactions. The Independent Board Committee was set up to advise whether, in our opinion, the terms of the Non-Exempt Continuing Connected Transactions, the proposed caps, and the agreement already entered into by the Group in respect thereof are in the interests of the Company and the Shareholders as a whole and are fair and reasonable.

The terms of the Non-Exempt Continuing Connected Transactions and the agreement already entered into by the Group in respect thereof are summarised in the “Letter from the Board” set out on pages 4 to 7 of the Circular. In addition, the Independent Board Committee has been advised by Karl Thomson in considering the terms of the Non-Exempt Continuing Connected Transactions. You are strongly urged to read the “Letter of Advice from the Independent Financial Adviser” set out on pages 10 to 19 of the Circular.

RECOMMENDATION

As the Independent Board Committee, we have discussed with the management of the Company the reasons for the Non-Exempt Continuing Connected Transactions and the basis upon which its terms have been determined. We have also discussed with Karl Thomson the principal factors and reasons in arriving at its advice set out in the “Letter of Advice from the Independent Financial Adviser”.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Taking into account the recommendations of Karl Thomson, the Independent Board Committee concurs with the views of Karl Thomson that entering into the Non-Exempt Continuing Connected Transactions are in the interests of the Company and its Shareholders as a whole, and the annual caps for the Non-Exempt Continuing Connected Transactions are fair and reasonable, and the terms of the agreement already entered into by the Group in respect thereof as described in the “Letter from the Board” in the Circular are on normal commercial terms, in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

We recommend the Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM.

Yours faithfully,
The Independent Board Committee

Mr. CHAN Yue Kwong, Michael
*Independent non-executive
Director*

Mr. NG Ching Wah
*Independent non-executive
Director*

Mr. SZE Kwok Wing, Nigel
*Independent non-executive
Director*

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Shareholders in respect of the proposed Non-exempt Continuing Connected Transactions for inclusion in this circular.



高信融資服務有限公司

Karl Thomson Financial Advisory Limited

Room 701, Tower One, Lippo Centre
89 Queensway
Hong Kong

14 September 2007

To the Independent Board Committee and the Shareholders of
Pacific Textiles Holdings Limited

Dear Sir or Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in respect of the Non-exempt Continuing Connected Transactions and the annual caps (the "Annual Caps"). Details of the Non-exempt Continuing Connected Transactions are set out in the letter from the Board contained in the circular to the Shareholders dated 14 September 2007 (the "Circular"), of which this letter forms a part. Capitalized terms used in this letter shall have the same meaning as those defined in the Circular unless the context otherwise requires.

On 24 August 2007, the Company was informed by Brandix and Linea that Brandix acquired from Linea 48% shareholding in PT Sri Lanka. An existing interest free shareholder's 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, and thus become a connected person of the Company. 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 Chapter 14A of the Listing Rules upon the completion of the Acquisition.

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 transaction under the Listing Rules upon the completion of the Acquisition.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

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

In relation to the Brandix Printing Services Master Agreement, as the relevant percentage ratios under Charter 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 only subject to the reporting and announcement and is exempt from the independent Shareholders' approval under Chapter 14A of the Listing Rules.

The transactions contemplated under the Brandix Sales of Products Master Agreement will constitute non-exempt continuing connected transactions for the Company under Chapter 14A.16(5) of the Listing Rules and therefore subject to reporting, announcement and Shareholders' approval by way of poll pursuant to the requirements under Chapter 14A of the Listing Rules.

Independent Board Committee comprising Mr. Chan Yue Kwong, Michael, Mr. Ng Ching Wah and Mr. Sze Kwok Wing, Nigel, being all the INEDs, was formed, to advise the Shareholders in respect of the Non-Exempt Continuing Connected Transactions and the Annual Caps. To the best of the Company's knowledge, no Shareholders are required to abstain from voting on the resolution to approve the Brandix Sale of Products Master Agreement and the Annual Caps at the EGM.

Karl Thomson is not associated with the Company and its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the Non-Exempt Continuing Connected Transactions and the Annual Caps. Apart from normal professional fee payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained or referred to in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements and representations made or referred to in the Circular were true at the time they were made and continue to be true at the date of the despatch of the Circular. We have also assumed that all statements of belief, opinion and intention made by the Company, the Directors and the management of the Company in the Circular were reasonable made after due enquiry. We consider that we have been provided with sufficient information to form a reasonable basis for issuing our opinion. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors and management of the Company and have no reason to doubt that any relevant material facts have been withheld or omitted. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information supplied.

TERMS OF THE BRANDIX SALE OF PRODUCTS MASTER AGREEMENT

The key terms of the Brandix Sales of Products Master Agreement are summarized as follow:

- (i) The Group has agreed to sell knitted fabrics to Brandix Group and its associates with an initial term from 24 August 2007 to 31 March 2010, shall, subject to compliance by the Group the relevant requirements applicable to continuing connected transactions under the Listing Rules, automatically renew for a term of three years, after the expiry of the initial period.
- (ii) The prices were determined on an arm's length basis by reference to the prevailing market rates or at rates similar to those charged or to be charged to the Group's other independent third party customers.
- (iii) Invoices for products sold pursuant to the Brandix Sales of Products Master Agreement shall be issued by the relevant member of the Group to the relevant Brandix Group at any time after delivery of the products. Payment shall be made in accordance with the terms of the purchase order.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In achieving our opinion for the Non-Exempt Continuing Connected Transactions, we have taken into account the following principal factors and reasons:

I. Reasons for and benefits of entering into the Brandix Sales of Products Master Agreement

As stated in the letter from Board, the Group has been supplying knitted fabrics to Brandix Group and its associates prior to the Acquisition. Brandix is principally engaged in development, manufacturing and marketing of textile and apparel products. Whiles the Group is engaging in the manufacturing of customized knitted fabrics.

We are advised by the management of the Group that for each of the three years ended 31 March 2005, 2006 and 2007, the aggregated 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 approximately 3.67% for the year ended 31 March 2006 to approximately 5.08% for the year ended 31 March 2007 was approximately 38%.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

According to letter from the Board of the Circular, 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 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.

Having reviewed the management accounts of the Group and Brandix Group for the two financial years ended 31 March 2007, we noted that Brandix Group had no record of default on its payment to the Group. For each of the two financial years ended 31 March 2007, the average trade and bills receivable of the Group from Brandix Group were approximately 49.4 days and 34.2 days respectively, which were shorter than the average trade and bills receivables days of the Group of approximately 54.6 days and 49.5 days respectively. Thus, we concur with the management of the Group that Brandix Group is a stable customer with good repayment record.

In view of the background and circumstances, we consider that entering into the Brandix Sales of Products Master Agreement is in the interest of the Company and Shareholders as a whole.

II. Terms of the sales agreement

(i) with the Group's other customers

In assessing the pricing basis for the Brandix Sales of Products Master Agreement, we have reviewed two subsisting sales agreements, being the sales agreement between the Group and MAS Group and its associates (the "MAS Master Agreement") and the sales agreement between the Group and PT Sri Lanka (the "PT Sri Lanka Master Agreement"). Save for the MAS Master Agreement and PT Sri Lanka Master Agreement, the Group has not entered into any other similar arrangements, which scope is material comparable to the Brandix Sales of Products Master Agreement, with which we would consider to compare and review in the production of this letter.

MAS Group was a connected person of the Group by virtue of its being a substantial shareholder of Linea before the Acquisition. PT Sri Lanka is a connected person of the Group by virtue of its being a subsidiary of PTJH, which is a wholly-owned subsidiary of the Company. Both The MAS Master Agreement and PT Sri Lanka Master Agreement are related to the sale of knitted fabrics from the Group.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER
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The MAS Master Agreement and PT Sri Lanka Master Agreement were disclosed in the Company's prospectus dated 7 May 2007 and the scope of which is similar to the one in the Brandix Sales of Products Master Agreement. Details of the aforesaid sales agreements are summarized below:

Date of agreement	Parties	Nature of agreement	Pricing basis	Duration
30 April 2007	The Group MAS Group and its associates	Sale of knitted fabrics	By reference to the prevailing market rates or at rates similar to those charged or to be charged by the Group's other independent third party customers and determined on arm's length negotiation between the parties.	3 years
30 April 2007	The Group PT Sri Lanka	Sale of knitted fabrics and greige fabrics	Determined on arm's length basis by reference to the prevailing market rates and the cost for processing greige fabrics.	3 years

Having made the aforesaid review and noting the pricing basis offered by the Group to Brandix Group under the terms of the Brandix Sales of Products Master Agreement, we note that the terms of the Brandix Sales of Products Master Agreement are no less favourable to the Group than those offered in the aforesaid sales agreements. Having taking account of the above, we consider that the terms of the Brandix Sales of Products Master Agreement are in normal commercial terms, in the ordinary and usual course of business, fair and reasonable so far as the Company and Shareholders as a whole are concerned.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *Reference to similar agreements announced by companies listed on the Stock Exchange (the “Comparable”)*

In assessing the terms for the Brandix Sales of Products Master Agreement, we have reviewed all the terms of 8 agreements, being all agreements, to the best of our knowledge, regarding manufacturing of knitted fabrics and related products announced by companies listed on the Stock Exchange since 1 January 2005. The table below summaries the terms of the relevant agreements:

Stock code	Name of Comparable	Principal business	Date of announcement	Parties	Nature of agreement	Pricing basis	Duration
420	Fountain Set (Holdings) Limited	Manufactures and sells knitted fabrics, sewing threads, dyed yarns, and garments. Provides knitting, dyeing, printing and fabric finishing services and trades raw yarns.	20 June 2006	I. Nine subsidiaries of the company Rise Honour	Sourcing fabrics and/or garments and/or sewing threads and associated products	At the relevant seller’s quoted price (which price is based upon the market situation, including the market price from time to time) or, where no price has been quoted (or a quoted price is no longer valid), the price for goods of the similar quantity, specifications and type that such seller sells to independent third parties or where there no such comparables, the price as agreed between the parties.	2 years and 2.5 months
				II. Three subsidiaries of the company Rise Honour	Subcontracting service of garment production and related services	At the relevant subcontractor’s quoted price (which price is based upon the market situation, including the market price from time to time) or, where no price has been quoted (or a quoted price is no longer valid), the price of goods of the similar quantity, specifications and type that such subcontractor charges to independent third parties or where there no such comparables, the price as agreed between the parties.	2 years and 2 months

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

Stock code	Name of Comparable	Principal business	Date of announcement	Parties	Nature of agreement	Pricing basis	Duration
				III. Rise Honour Three subsidiaries of the company	Subcontracting service of garment production and related services	At the relevant subcontractor's quoted price (which price is based upon the market situation, including the market price from time to time) or, where no price has been quoted (or a quoted price is no longer valid), the price of goods of the similar quantity, specifications and type that such subcontractor charges to independent third parties or where there no such comparables, the prices as agreed between the parties.	2 years and 2.5 months
				IV. Rise Honour Goodwin Trading	Garments and associated products	At the relevant seller's quoted price (which price is based upon the market situation, including the market price from time to time) or, where no price has been quoted (or a quoted price is no longer valid), the price of goods of the similar quantity, specifications and type that such seller sells to independent third parties or where there no such comparables, the price as agreed between the parties.	2 years and 2.5 months
				V. Dongguan Goodwin Rise Honour	Garments and associated products	At the seller's quoted price (which price is based upon the market situation, including the market price from time to time) or, where no price has been quoted (or a quoted price is no longer valid), the price of goods of the similar quantity, specifications and type that such seller sells to independent third parties or where there no such comparables, the price as agreed between the parties.	6.5 months

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER
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Stock code	Name of Comparable	Principal business	Date of announcement	Parties	Nature of agreement	Pricing basis	Duration
420	Fountain Set (Holdings) Limited		4 August 2006	I. Five Subsidiaries of the company Foundation Set Ontario II. Rise Honour Foundation Set Ontario	Fabrics and/or garments	At the relevant seller's quoted price (which price is based upon the market situation, including the market price from time to time) or, where no price has been quoted (or a quoted price is no longer valid), the price for goods of the similar quantity, specifications and type that such seller sells to independent third parties or where there no such comparables, the price as agreed between the parties.	3 years
539	Victory City International Holdings Limited	Produces and sells finished knitted fabric and dyed yarn. Trades garment products and provides quality inspection services.	9 September 2005	Nanjing Synergy Xinhui Victory City	Yarn	Will be agreed between the parties by reference to the prevailing market prices of yarn at the relevant time.	2 years and 6 months

Sources: announcements and circulars of the respective companies

Based on the information summarized in the table above, we note that the pricing basis for agreements regarding knitted fabrics, other fabrics or related products are determined by the prevailing market prices with the reference to those offered to other independent third party customers. Therefore, we are of the opinion that the terms of the Brandix Sales of Products Master Agreement are fair and reasonable so far as the Company and Shareholders are concerned.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER
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(iii) Historical transaction values and the proposed Annual Caps

For each of the three financial years ended 31 March 2007, the aggregate amounts of knitted fabrics sold to Brandix Group by the Group were approximately, HK\$52,182,000, HK\$123,337,000 and HK\$213,618,000 respectively.

In determining the Annual Caps, the management of the Group has taken into account:

- (i) 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 the 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%.

Sets out below show the summaries of financial information of the Group for the three financial years ended 2007 and estimated Annual Caps:

	For the year ended 31 March		
	2005	2006	2007
Revenue (Audited) (HK\$000)	2,922,840	3,363,029	4,203,357
% of total sales to Brandix Group	1.79	3.67	5.08
(Growth rate %)	–	105.0%	38.4%
Amount of knitted fabrics sold to Brandix Group (HK\$000)	52,182	123,337	213,618
(Growth rate %)	–	136.4%	73.2%

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER
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	For the year ending 31 March		
	2008	2009	2010
	(Estimated)	(Estimated)	(Estimated)
Proposed Annual Caps (HK\$ million)	363	616	1,045

Having reviewed the above information and assumptions made in determining the Annual Caps, we are of the view that the proposed Annual Caps are fair and reasonable as far as the Company and the Shareholders as a whole are concerned.

RECOMMENDATION

Having considered the abovementioned principal factors, in particular, the following:

- (i) the stable and long-term relationship between the Group and Brandix Group;
- (ii) Brandix Group being a customer with good repayment history;
- (iii) the payment term and pricing mechanism set out in the Brandix Sales of Products Master Agreement; and
- (iv) the assumptions made in determining the Annual Caps,

we consider that entering into the Non-Exempt Continuing Transactions is in the interest of the Company and its Shareholders as a whole, and the Annual Caps for the Non-Exempting Continuing Connected Transactions are fair and reasonable, and the terms of the Brandix Sales of Products Master Agreement are on normal commercial terms, in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

Accordingly, we advise the Independent Board Committee to recommend the Shareholders, and we also advise Shareholders, to vote in favour of the relevant ordinary resolution to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Karl Thomson Financial Advisory Limited
Alex Chow
Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares, underlying shares and debentures

Name of Director/ Chief Executive	Name of company	Nature of interest	Number of securities	Approximate percentage interest in the company
CHOI Kin Chung	The Company	Founder of a discretionary trust ¹	171,102,000	11.94%
IP Ping Im	The Company	Interest of a controlled corporation ²	400,000,000	27.91%
LAM King Man	The Company	<ul style="list-style-type: none"> • Interest of a controlled corporation • Interest of spouse³ 	30,000,000	2.09%
LAM Wing Tak	The Company	Interest of a controlled corporation ⁴	100,000,000	6.98%
LAU Yiu Tong	The Company	Beneficial owner	50,000,000	3.49%
TSANG Kang Po	The Company	<ul style="list-style-type: none"> • Interest of a controlled corporation • Interest of spouse⁵ 	100,000,000	6.98%
WAN Wai Loi	The Company	<ul style="list-style-type: none"> • Interest of a controlled corporation • Interest of spouse⁶ 	100,000,000	6.98%

Notes:

1. These securities in the Company are directly held by Silver Bay International Holdings Limited, whose issued share capital is wholly-owned by Trustcorp Limited, the trustee of the United Harmony Trust, a discretionary trust. For the purposes of the SFO, Mr. Choi Kin Chung is the founder of the United Harmony Trust.
2. These securities in the Company are directly held by Far East Asia Limited, whose issued share capital is wholly-owned by Mr. Ip Ping Im.
3. These securities in the Company are directly held by Effective Approach Technology Limited, whose issued share capital is 50% owned by Dr. Lam King Man and 50% owned by the spouse of Dr. Lam King Man.
4. These securities in the Company are directly held by Fifth Element Enterprises Limited, whose issued share capital is wholly-owned by Mr. Lam Wing Tak.
5. These securities in the Company are directly held by Top Strong Holdings Limited, whose issued share capital is 50% owned by Mr. Tsang Kang Po and 50% owned by the spouse of Mr. Tsang Kang Po.
6. These securities in the Company are directly held by Hollywood Pacific Limited, whose issued capital is 25% owned by Mr. Wan Wai Loi and 25% owned by the spouse of Mr. Wan Wai Loi.

Save as disclosed above, none of the Directors or chief executive of the Company, as at the Latest Practicable Date, had any interests and/or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

3. DISCLOSURE OF INTEREST BY SUBSTANTIAL SHAREHOLDERS

So far as any Director or the chief executive of the Company is aware, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was (directly or indirectly) interested in 10% or more of

the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Long position in Shares and underlying Shares of the Company

Name of substantial shareholder	Name of company	Nature of interest	Number of securities	Approximate percentage interest in the company
Chiu Bo Lan	The Company	<ul style="list-style-type: none"> • Interest of a controlled corporation¹ • Interest of a spouse² 	100,000,000	6.98%
Hollywood Pacific Limited	The Company	Beneficial owner ¹	100,000,000	6.98%
Lam Wai Yee	The Company	Interest of spouse ³	400,000,000	27.91%
Far East Asia Limited	The Company	Beneficial owner ⁴	400,000,000	27.91%
Wong Bik Ha	The Company	Interest of spouse ⁵	100,000,000	6.98%
Fifth Element Enterprises Limited	The Company	Beneficial owner ⁶	100,000,000	6.98%
Law Oi Mui	The Company	Interest of spouse ⁷	171,102,000	11.94%
Trustcorp Limited	The Company	Trustee ⁸	171,102,000	11.94%
Silver Bay International Holdings Limited	The Company	Beneficial owner ⁸	171,102,000	11.94%
Wong Mei Ling	The Company	<ul style="list-style-type: none"> • Interest of a controlled corporation⁹ • Interest of spouse¹⁰ 	100,000,000	6.98%
Top Strong Holdings Limited	The Company	Beneficial owner ⁹	100,000,000	6.98%
The Capital Group Companies, Inc.	The Company	Interest of a controlled corporation	123,600,000	8.63%
Capital Group International, Inc.	The Company	Interest of a controlled corporation	123,600,000	8.63%

Name of substantial shareholder	Name of company	Nature of interest	Number of securities	Approximate percentage interest in the company
Capital International, Inc.	The Company	<ul style="list-style-type: none"> • Interest of a controlled corporation • Investment manager¹¹ 	123,600,000	8.63%
Capital International Investments IV, LLC	The Company	Interest of a controlled corporation ¹¹	123,600,000	8.63%
Capital International Investments IV, L.P.	The Company	Interest of a controlled corporation ¹¹	119,620,100	8.35%
Capital International Private Equity Fund IV, L.P.	The Company	Beneficial owner ¹¹	119,620,100	8.35%

Notes:

1. Hollywood Pacific Limited is 25% owned by Mr. Wan Wai Loi and 25% owned by Ms. Chiu Bo Lan, the spouse of Mr. Wan Wai Loi.
2. Ms. Chiu Bo Lan is the spouse of Mr. Wan Wai Loi, a Director.
3. Ms. Lam Wai Yee is the spouse of Mr. Ip Ping Im, a Director.
4. Far East Asia Limited is wholly-owned by Mr. Ip Ping Im, a Director.
5. Ms. Wong Bik Ha is the spouse of Mr. Lam Wing Tak, a Director.
6. Fifth Element Enterprises Limited is wholly-owned by Mr. Lam Wing Tak, a Director.
7. Ms. Law Oi Mui is the spouse of Mr. Choi Kin Chung, a Director.
8. Silver Bay International Holdings Limited is wholly-owned by Trustcorp Limited, the trustee of the United Harmony Trust, a discretionary trust. For the purposes of the SFO, Mr. Choi Kin Chung, a Director, is the founder of the United Harmony Trust.
9. Top Strong Holdings Limited is 50% owned by Mr. Tsang Kang Po and 50% owned by Ms. Wong Mei Ling, the spouse of Mr. Tsang Kang Po.
10. Ms. Wong Mei Ling is the spouse of Mr. Tsang Kang Po, a Director.
11. Capital International Private Equity Fund IV, L.P. is a private equity fund managed by Capital International, Inc. Capital International Investments IV, L.P. is the general partner of Capital International Private Equity Fund IV, L.P. The general partner of Capital International Investments IV, L.P. is Capital International Investments IV, LLC, which is also the general partner of CGPE IV L.P., an employee securities fund formed to invest side-by-side with Capital International Private Equity Fund IV, L.P. Capital International, Inc. is the managing member of Capital International Investments IV, LLC.

Long position in shares and underlying shares of any other member in the Group

Name of member of the Group	Name of substantial shareholder	Nature of interest	Number of securities	Approximate percentage interest in the company
Textured Jersey Lanka (Private) Limited	Brandix Lanka Limited	Beneficial owner ¹	76,666,992	48%

Note:

1. Textured Jersey Lanka (Private) Limited is owned as to approximately 52% by Pacific Textured Jersey Holdings Ltd., a wholly-owned subsidiary of the Company, and approximately 48% by Brandix Lanka Limited.

Save as disclosed above, so far as is known to any director or chief executive of the Company, as at the Latest Practicable Date, no other person had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

4. PROCEDURE FOR DEMAND A POLL

Pursuant to the article 90 of the articles of association of the Company (the "Articles"), at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded or otherwise required under the Listing Rules. A poll may be demanded by:

- (a) the chairman of the meeting; or
- (b) at least five members present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and entitled to vote; or
- (c) any member or members present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or
- (d) any member or members present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

Unless a poll is so required or demanded and, in the latter case, not withdrawn or otherwise required under the Listing Rules, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the Company's book containing the minutes of proceedings of meetings of the Company shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

If a poll is required or demanded as aforesaid, it shall (subject as provided in article 94 of the Articles) be taken in such manner (including the use of ballot or voting papers or tickets) and at such time and place, not being more than 30 days from the date of the meeting or adjourned meeting at which the poll was required or demanded as the chairman of the meeting directs. No notice need to be given of a poll not taken immediately. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was required or demanded. The demand for a poll may be withdrawn, with the consent of the chairman of the meeting, at any time before the close of the meeting at which the poll was demanded or the taking of the poll whichever is earlier.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007, the date to which the latest published audited financial statements of the Group were made up.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

7. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, Mr. Lau Yiu Tong, a non-executive Director of the Company held a 20% interest in FSTBC and 8% interest in FSTO, which are engaged principally in trading of fabrics, sewing threads and garments primarily in British Columbia and Ontario, Canada. Mr. Lau was a director and president of FSTO and FSTBC for the period from May 1996 to April 2006 and the period from April 1993 to April 2006 respectively. Both FSTO and FSTBC are the subsidiaries of Fountain Set (Holdings) Limited, a company listed on the Main Board of the Stock Exchange. Save as disclosed above, none of the Directors and their respective associates had an interest in a business which competes or may compete with the businesses of the Group.

8. OTHER INTEREST

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2007, the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

As at the Latest Practicable Date, no Director was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant to the business of the Group taken as a whole.

9. QUALIFICATIONS AND CONSENTS

Karl Thomson is a corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activities. Karl Thomson has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, Karl Thomson was not beneficially interested in the share capital of any member of the Group and had no right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. As at the Latest Practicable Date, Karl Thomson had no direct or indirect interest in any assets which had been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to the Group since 31 March 2007, the date on which the latest published audited accounts of the Group were made up.

10. MISCELLANEOUS

- (a) The secretary of the Company is Mr. Wu Tai Cheung, who is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (b) The qualified accountant of the Company (as required under the Listing Rules) is Mr. Lam Hing Chau Leon, who is a member of the Hong Kong Institute of Certified Public Accountants, CPA Australia, the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales.
- (c) The registered office of the Company is situated at P.O. Box 309GT Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.
- (d) The head office and principal place of business in Hong Kong of the Company is situated at 7th Floor, Block B, Eastern Sea Industrial Building, 48-56 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.

- (e) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited of 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (f) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at Linklaters, 10th Floor, Alexandra House, Chater Road, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of EGM:

- (a) the letter from Karl Thomson, the text of which is set out on pages 10 to pages 19 in this circular;
- (b) the consent letter from Karl Thomson referred to in paragraph 9 of this Appendix; and
- (c) the Brandix Sale of Products Master Agreement.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Pacific Textiles Holdings Limited (the "Company") will be held at 7th Floor, Block B, Eastern Sea Industrial Building, 48-56 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong on Saturday, 6 October 2007 at 11:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"THAT:

- (i) the transactions contemplated under the Brandix Sale of Products Master Agreement (i.e. the Non-Exempt Continuing Connected Transactions) and the annual caps be and are hereby approved;
- (ii) the Brandix Sale of Products Master Agreement (a copy of which has been produced to this meeting marked "A" and signed by the Chairman of this meeting for the purpose of identification) be and is hereby approved, confirmed and ratified; and
- (iii) any one Director be and is hereby authorised to take all actions and to sign, execute and deliver all such agreements, deeds and documents for and on behalf of the Company as he may in his discretion consider necessary or desirable for the purpose of effecting any of the transactions contemplated under the Brandix Sale of Products Master Agreement, the implementation or the exercise or enforcement of any of the rights and performance of any of the obligations under the Brandix Sale of Products Master Agreement."

By Order of the Board of Directors

Wu Tai Cheung

Company Secretary

Hong Kong, 14 September 2007

* For identification purpose only

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (i) The resolution set out in this notice will be voted by poll.
- (ii) Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
- (iii) In order to be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof shall be deposited at the head office and principal place of business of the Company in Hong Kong at 7th Floor, Block B, Eastern Sea Industrial Building, 48-56 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong not less than forty-eight hours before the time for holding the extraordinary general meeting or any adjourned meeting.
- (iv) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.