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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 ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS WITH CRYSTAL GROUP

Reference is made to the Company's announcement and circular dated 19 August 2010 and 8 September 2010 respectively in relation to, among others, proposal of annual caps of the Continuing Connected Transactions between the Group and the Crystal Group under the Master Agreement relating to the sale and purchase of knitted fabric 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 Crystal Group under the Master Agreement is expected to exceed the existing annual cap of HK\$667 million for the year ending 31 March 2012. This is mainly due to the unexpected rapid increase in both sales volume and average selling price of knitted fabrics manufactured or owed by the Group to the Crystal Group.

The Board proposes to revise the annual caps of the Continuing Connected Transactions for each of the three years ending 31 March 2014 to HK\$950 million, HK\$1,380 million and HK\$2,000 million respectively. The Master Agreement governing the Transaction will be lapsed and superseded by the New Master Agreement with an initial term extended to 31 March 2014 correspondingly. Since each of the applicable percentage ratios exceeds 5%, the Continuing Connected Transactions are 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 New Master Agreement and the proposed annual caps for the Continuing Connected Transactions. A circular containing, among others, further details of the Continuing Connected Transactions, the respective advice of the independent financial adviser and the independent board committee and the notice of the EGM, will be despatched to the Shareholders on or before 16 December 2011 in accordance with the Listing Rules.

* For identification only

BACKGROUND

Reference is made to the Company's announcement and circular dated 19 August 2010 and 8 September 2010 respectively in relation to, among others, proposal of Annual Caps of the Continuing Connected Transactions between the Group and the Crystal Group under the Master Agreement relating to the sale and purchase of knitted fabric manufactured or owned by the Group 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 Crystal Group under the Master Agreement is expected to exceed the existing annual cap of HK\$667 million for the year ending 31 March 2012. This is mainly due to the unexpected rapid growth in both sales volume and average selling price of knitted fabrics manufactured or owed by the Group to the Crystal Group.

The Board proposes to revise the annual caps of the Continuing Connected Transactions for each of the three years ending 31 March 2014. The Master Agreement governing the Transaction will be lapsed and superseded by the New Master Agreement with an initial term extended to 31 March 2014 correspondingly.

THE TRANSACTION

Pursuant to the Master Agreement, the Group and the Crystal Group entered into Transaction relating to the sale and purchase of knitted fabric manufactured or owned by the Group on normal commercial terms and subject to and upon the terms and conditions contained in the purchase orders to be agreed between the relevant parties, setting out, among other things, the identity of the products, specifications, quantity, price, payment terms, delivery time, place of delivery and transfer of title. The prices for the products will be determined among the parties from time to time 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.

The Master Agreement has an initial term from 19 August 2010 to 19 August 2013. Subject to the approval of the proposed annual caps together with the New Master Agreement by the independent Shareholders in the EGM, the Master Agreement will be lapsed and superseded by the New Master Agreement. It was agreed that an initial term of the New Master Agreement will be extended to 31 March 2014, which term will be automatically renewed for a further term of three years subject to compliance by the Company with any applicable requirements under the Listing Rules, other terms and conditions of the Master Agreement remain unchanged. The New Master Agreement may be terminated at any time by either party after giving three months' prior written notice to the other party.

EXISTING ANNUAL CAPS AND PROPOSED ANNUAL CAPS

The Directors confirm that the annual caps for the year ended 31 March 2012 has not been exceeded up to the date of this announcement. Due to the anticipated increase in sales volume and average selling price of knitted fabrics manufactured or owed by the Group to the Crystal Group under the Master Agreement in remaining months to March 2012 and the following year, the Directors expect that the existing annual caps for the years ended 31 March 2012 and 31 March 2013 would be exceeded.

Set out below are (i) the existing annual caps approved at the extraordinary general meeting of the Company held on 8 October 2010 and (ii) the proposed annual caps of the Transaction for each of the three years ending 31 March 2014:-

	Existing Annual Caps	Proposed Annual Caps
For the year ending 31 March 2011	HK\$494 million	Not Applicable
For the year ending 31 March 2012	HK\$667 million	HK\$ 950 million
For the year ending 31 March 2013	HK\$900 million	HK\$ 1,380 million
For the year ending 31 March 2014	Not Applicable	HK\$ 2,000 million

The proposed annual caps for the three years ending 31 March 2014 have been estimated with reference to (i) the Transaction amount for the six month ended 30 September 2011 of approximately HK\$425 million; (ii) the anticipated annualised sales amount for the year ended 31 March 2012 of approximately HK\$850 million; and (iii) the five years compound annual growth rate of the Transaction amount of approximately 45 %.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

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

Members of the Crystal Group have been customers of the Group over 10 years. The aggregate sales of knitted fabric manufactured or owned by the Group to the Crystal Group amounted to approximately 6.7%, 5.6% and 9.7% of the Group's revenue for each of the three years ended 31 March 2009, 2010 and 2011. As such sales to the Crystal Group have represented an important source of revenue for the Group, the Directors consider that it is in the interests of the Company and the Shareholders as a whole for the Group to continue such sales.

The Directors (including the INEDs) have confirmed that the prices of the sales of knitted fabric manufactured or owned by the Group to the Crystal 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 they have received and considered the advice from an independent financial adviser) are of the view that the Transaction is in the ordinary and usual course of business of the Group and on normal commercial terms; and that the terms of the New Master Agreement (including the proposed annual caps) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Crystal Peak International Limited, a member of the Crystal Group, by virtue of its 25% shareholding in PCGT Limited, a subsidiary of the Company, is regarded as a connected person of the Company. The Crystal Group are therefore regarded as connected persons of the Company.

Since each of the applicable percentage ratios with reference to the proposed annual caps exceeds 5%, the Continuing Connected Transactions are 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 New Master Agreement and the proposed annual caps for the Continuing Connected Transactions. A circular containing, among others, further details of the Continuing Connected Transactions, the respective advice of the independent financial adviser and the independent board committee and the notice of the EGM, will be despatched to the Shareholders on or before 16 December 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
"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
"Continuing Connected Transactions"	the transactions contemplated under the Master Agreement or the New Master Agreement which constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.
"Crystal Group"	Crystal International, its subsidiaries and associates
"Crystal International"	Crystal International Limited, a company incorporated in Bermuda with limited liability
"Directors"	the director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be held to consider and approve the New Master Agreement and the proposed annual caps for the Continuing Connected Transactions with the Crystal Group
"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
"INED"	the independent non-executive Director

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Master Agreement"	the Master Agreement made between the Company and Crystal International dated 19 August 2010 relating to the sale and purchase of knitted fabric manufactured or owned by the Group
"New Master Agreement"	the new Master Agreement made between the Company and Crystal International dated 25 November 2011 relating to the sale and purchase of knitted fabric manufactured or owned by the Group with an initial term extended to 31 March 2014, other terms and conditions of the Master Agreement remain unchanged.
"Shareholders"	the shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction"	transactions contemplated under the Master Agreement or the New Master Agreement
"%"	per cent

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

Hong Kong, 25 November 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.