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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)

**MAJOR TRANSACTION
FORMATION OF JOINT VENTURE**

RESUMPTION OF TRADING

Advised by

ANGLO CHINESE 英
CORPORATE FINANCE, LIMITED 高

The Board announces that on 28 November 2008, Pacific, a wholly-owned subsidiary of the Company, Crystal and King Jumbo, entered into the Shareholders' Agreement pursuant to which Pacific and Crystal agreed to jointly invest in King Jumbo, the JV Company.

Upon the completion of the Shareholders' Agreement, the Company (via its direct interest in Pacific) and Crystal will hold 51% and 49% of the effective economic interests in the JV Company respectively. Each of them will hold 50% of the total issued voting Shares in the JV Company. In addition, the Company (via its direct interest in Pacific) will hold a 2% shareholding in the form of non-voting Shares in the JV Company. Accordingly, the interest of Pacific in the JV Company will be accounted for as "interests in jointly-controlled entity" in the consolidated accounts of the Company using the equity accounting method after completion of the Shareholders' Agreement.

As one of the relevant percentage ratios is more than 25% but less than 75%, the Transaction constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. No shareholders of the Company and, or their respective associates have any material interest in the

Transaction and therefore no person is required to abstain from voting on the relevant resolutions in the EGM. A circular containing, amongst other things, details of the Transaction and Shareholders' Agreement and a notice of the EGM will be despatched to the shareholders of the Company as soon as practicable.

Trading in the shares of the Company on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on Friday, 28 November 2008 pending the release of this announcement. The Company has applied to the Stock Exchange for a resumption of trading in its shares with effect from 2:30 p.m. on Friday, 28 November 2008.

The Board announces that on 28 November 2008, Pacific, a wholly-owned subsidiary of the Company, Crystal and King Jumbo, entered into the Shareholders' Agreement pursuant to which Pacific and Crystal agreed to jointly invest in King Jumbo, the JV Company.

THE SHAREHOLDERS' AGREEMENT

Date

28 November 2008

Parties

- (a) Pacific;
- (b) Crystal; and
- (c) King Jumbo, the JV Company

As at the date of the Shareholders' Agreement, King Jumbo had an authorised share capital of US\$50,000 and an issued share capital of US\$100, comprising 100 shares, which were wholly owned by Crystal.

Principal business of the JV Company

Upon the completion of the Shareholders' Agreement, King Jumbo, the JV Company, will be principally engaged in holding, managing, administering its interests in the Singapore JV and providing the necessary capital and overall management supervision services to the Singapore JV and, or its subsidiaries to facilitate the establishment of its fabric and garment production facilities in Bangladesh. The JV

Company will, via its investment in the Singapore JV, establish in Bangladesh a fabric production factory and certain common support facilities, including power plant and water treatment facilities, and establish a garment production factory and information technology systems.

Initial subscriptions of Shares

Upon the completion of the Shareholders' Agreement, an extraordinary general meeting of the JV Company will be held to approve, amongst other things, (1) the increase in the authorised share capital of the Company from US\$50,000 to US\$30,000,000 by the creation of 29,350,000 voting Shares and 600,000 non-voting Shares, and (2) the classification of the existing 50,000 shares in the authorised share capital of the JV Company (including the 100 issued shares held by Crystal) as voting Shares.

Pursuant to the terms of the Shareholders' Agreement,

- (a) Pacific shall subscribe for 24,500 voting Shares and 1,000 non-voting Shares in the JV Company at US\$25,500 for the subscription for such voting and non-voting Shares at par; and
- (b) Crystal shall subscribe for 24,400 voting Shares, in addition to the 100 voting shares of the JV Company already held by it, in the JV Company at US\$24,400 for the subscription for such voting Shares at par.

As a result of the subscriptions for Shares mentioned above, upon the completion of the Shareholders' Agreement, the Company (via its direct interest in Pacific) and Crystal will hold 51% and 49% of the effective economic interests in the JV Company respectively. Each of them will hold 50% of the total issued voting Shares in the JV Company. In addition, the Company (via its direct interest in Pacific) will hold a 2% shareholding in the form of non-voting Shares in the JV Company. Accordingly, the interest of Pacific in the JV Company will be accounted for as "interests in jointly-controlled entity" in the consolidated accounts of the Company using the equity accounting method after the completion of the Shareholders' Agreement.

Advance of shareholders loan

Pacific and Crystal will lend an unsecured, interest free shareholders loan of US\$23,664,000 and US\$22,736,000 respectively to the JV Company over a period of three years commencing on the date of the completion of the Shareholders' Agreement. Repayment of outstanding shareholders loans requires mutual consent of Pacific and Crystal.

Subscription for additional capital

During the period of three years commencing on the date of completion of the Shareholders' Agreement, each of Pacific and Crystal will pay in US\$ cash and subscribe for such additional Shares in the JV Company and, or advance to the JV Company such additional shareholders loans, such that the issued share capital of the JV Company shall always consist of (i) 98% of voting Shares, which shall be held by Pacific and Crystal in equal shares and (ii) 2% of non-voting Shares, which shall be held by Pacific, until the total of the fully paid up issued share capital of the JV Company together with the outstanding amount of the shareholders loans reaches the aggregate amount of US\$66,400,000. Accordingly, the total commitment of capital contribution and, or shareholders loans of Pacific to be made to the JV Company pursuant to the Shareholders' Agreement is currently estimated to be US\$33,864,000 which is equivalent to its expected capital commitment in the Singapore JV referred to below over the three years commencing on the date of completion. With an initial share subscription of US\$25,500 and an advance of a shareholders loan of US\$23,664,000 to be made to the JV Company, the Company (via its direct interest in Pacific) is required to inject additional capital of US\$10,174,500 over the three year period.

The breakdown of the total capital commitment of US\$33,864,000 of the Company is as follows:

	Issued share capital (US\$)		Total (US\$)
	Voting	Non-voting	
Initial allotment	24,500	1,000	25,500
Subsequent allotments	9,775,500	399,000	<u>10,174,500</u>
Total amount of capital contribution			10,200,000
Shareholders' loan	—	—	<u>23,664,000</u>
Total capital commitment			<u><u>33,864,000</u></u>

The Company will finance its investment in the JV Company from its internal resources.

Restrictions on transfer of the Shares

Neither Pacific nor Crystal shall dispose of its Shares or any shareholders loans owed by the JV Company to it for a period of five years from the date of completion of the Shareholders' Agreement except with the prior written consent of the other party. If, after such five year period, either Pacific or Crystal wishes to sell all (but not some only) of its Shares and shareholders loans owed to it by the JV Company to a third party purchaser, it shall be obliged to first offer such Shares and shareholders loans to the other shareholder at the price and on such other terms as such third party purchaser may have offered to the selling shareholder. In the event that the other shareholder does not wish to purchase the Shares and shareholders loans offered, the selling shareholder may, subject to the tag-along and drag-along rights mentioned below, sell its Shares and shareholders loans to the third party purchaser at a price and on such terms which are no less favourable than those offered to the other shareholder.

The selling shareholder must give a copy of any agreement with the third party purchaser relating to the sale of the Shares and shareholders loans to the other shareholder within three business days after the execution of the agreement. If the selling shareholder does not enter into an agreement for the sale of such Shares and shareholders loans within a prescribed period, or if such sale is not completed within sixty business days after the execution of such agreement, the right of the selling shareholder to sell such Shares and shareholders loans to the third party purchaser shall terminate and if the selling shareholder subsequently wishes to sell the Shares held by and shareholders loans owed to it by the JV Company, it shall be required to first re-offer to the other shareholder in the manner mentioned above.

Tag-along and drag-along rights

If the other shareholder does not elect to exercise its first right of offer mentioned above to purchase the Shares and shareholders loans from the selling shareholder, it may, by giving written notice to selling shareholder, procure the selling Shareholder to procure the third party purchaser, as a condition of such transaction, to purchase all (but not some only) of the other shareholder's Shares and shareholders loans on no less favourable terms.

If the other shareholder does not elect to exercise its first right of offer mentioned above to purchase the Shares and shareholders loans from the selling shareholder, the selling shareholder may, by giving written notice to the other shareholder, require the other shareholder to sell all (but not some only) of its Shares and shareholders loans owed to it by the JV Company to the third party purchaser on no less favourable terms.

Establishment of the Singapore JV and a new company in Bangladesh to operate a spinning mill

Pacific and Crystal agreed that the JV Company will, amongst other things,

- (a) upon the execution of the Shareholders' Agreement, enter into the Singapore JV Agreement with Trendit and Fast Retailing, pursuant to which the JV Company shall subscribe for an 83% shareholding interest, Trendit shall subscribe for a 7% shareholding interest and Fast Retailing shall subscribe for a 10% shareholding interest in the Singapore JV, a company established in Singapore which, through its subsidiaries to be established in Bangladesh, will establish and operate fabric and garment production factories in Bangladesh. The total capital of the Singapore JV is expected to be US\$80,000,000, of which US\$66,400,000 will be contributed by Pacific and Crystal via the JV Company, in the period of three years commencing on the date of completion of the Singapore JV Agreement; and
- (b) upon the execution of the Shareholders' Agreement and the Singapore JV Agreement, procure the Singapore JV to enter into the Bros JV Agreement with Bros, pursuant to which the Singapore JV shall, subject to the fulfilment of certain conditions and to the extent permissible under the laws of Bangladesh, subscribe for a 15% shareholding interest, and Bros shall subscribe for an 85% shareholding interest, in a new company to be established in Bangladesh for the purpose of operating a spinning mill.

Upon completion of the Singapore JV Agreement, the Company will hold an effective 42.33% interest in the Singapore JV via the JV Company. The first phase of the production facilities to be set up in Bangladesh by the Singapore JV, including a fabric production factory, a power plant, water treatment facilities, a garment production factory and information technology systems, is expected to commence operation in 2010. In addition, the Singapore JV will subscribe for the 15% shareholding in the new spinning mill company in Bangladesh for a consideration of US\$4.8 million, the precise timing of which subscription shall be determined by the board of directors of the new spinning mill company from time to time.

Conditions precedent

Completion of the Shareholders' Agreement is conditional upon the following conditions being satisfied or waived on or before 30 June 2009:

- (a) the shareholders of the Company approving the Shareholders' Agreement and the consummation of the transactions contemplated therein as required under the Listing Rules (if required);

- (b) the obtaining in terms reasonably acceptable to Pacific and Crystal of all consents, approvals, clearances and authorisations of any relevant governmental authorities or other relevant third parties in Hong Kong or elsewhere as may be necessary for the execution and implementation of the Shareholders' Agreement including, without limitation, the registration of the Bros JV Agreement with the Board of Investment of Bangladesh;
- (c) Crystal demonstrating to the reasonable satisfaction of Pacific that the Singapore JV has been properly incorporated and established;
- (d) the articles of association of the JV Company (as amended from time to time) being amended in draft form to conform with the terms of the Shareholders' Agreement to the reasonable satisfaction of Pacific and Crystal; and
- (e) the incorporation and establishment of a subsidiary of the Singapore JV in Bangladesh to the reasonable satisfaction of Pacific and Crystal for the purposes of establishing and operating fabric and garment production factories in Bangladesh.

Upon the execution of the Shareholders' Agreement, the Singapore JV Agreement and the Bros JV Agreement will be entered into amongst the relevant parties.

STRUCTURE OF THE JV COMPANY

Board of Directors of the JV Company

The board of directors of the JV Company shall comprise two to six directors. The respective number of directors that each of Pacific and Crystal is entitled to appoint to the board of directors of the JV Company, at all times, should be equal.

The right to appoint the Chairman of the board of directors of the JV Company shall rotate on an annual basis between Pacific and Crystal. The Chairman of the board of directors of the JV Company has no casting vote.

Voting rights of Pacific and Crystal

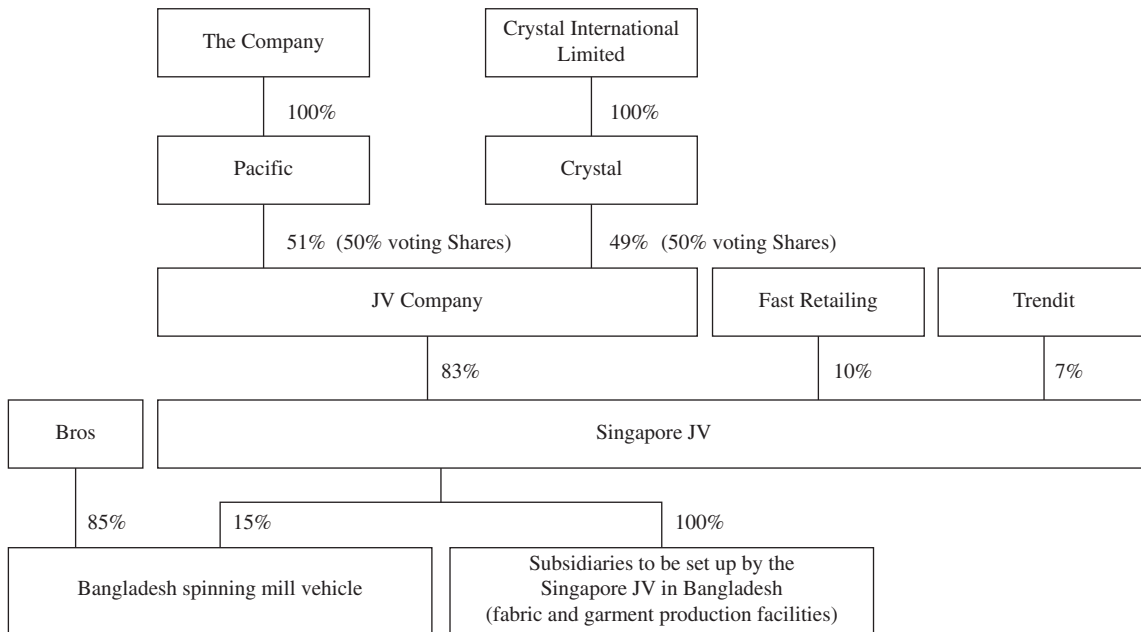
According to the Shareholders' Agreement, every holder of voting Shares shall have one vote for each voting Share it holds at any general meeting of the JV Company. The non-voting Shares shall not entitle the holders to receive notice of or to attend or vote at any general meeting of the Company.

Except for carrying no voting rights and no right to participate beyond a specified amount in a distribution of either profits or capital of the JV Company, the non-voting Shares shall rank *pari passu* in all respects with the voting Shares.

Pacific and Crystal agreed that the following matters shall, amongst other things, require the unanimous consent of all the shareholders of the JV Company (i.e. Pacific and Crystal):

- (a) materially changing the nature of the business conducted by the JV Company;
- (b) amending the memorandum of association or articles of association or constitutional documents of the JV Company and, or entities controlled by it;
- (c) disposing of substantially all of the business, assets and undertaking of the JV Company and, or entities controlled by it;
- (d) changing the financial year or auditors of the JV Company; and
- (e) formulating the strategic, financial and operating policies of the JV Company.

Diagrammatic presentation of the formation of the JV Company pursuant to the Shareholders' Agreement and other transactions contemplated thereunder



REASONS FOR ENTERING INTO THE TRANSACTION

Bangladesh is the world’s third largest readymade garment exporter. For the first half of 2008, Bangladesh exported a total of US\$10.7 billion worth of readymade garment, representing approximately 76% of the country’s total export value in the period. Bangladesh enjoys access to European markets and Japan with no tariffs and quota barriers. Furthermore, Bangladesh’s cost effective production capacity and low raw material costs provide its textiles industry with a strong competitive advantage.

The Directors believe that the Transaction is a major step in the Company’s growth strategy. The formation of the JV Company and the Singapore JV does not only improve the Company’s competitive position through geographic diversification, it also provides a platform for the Group’s further expansion into the Japanese market. The Company believes the strategic partnership with well-established participants in the industry such as Crystal Group and Fast Retailing will allow the Group to capture new opportunities and to explore new markets.

To ensure the supply of quality yarns, the Singapore JV will separately co-invest with Bros, a top-dyed mélange yarn producer in China, in a yarn manufacturing facility in Bangladesh. The Singapore JV will hold 15% of the yarn facility while Bros will hold the remaining 85%.

The shareholding structure in the JV Company was negotiated between Pacific and Crystal on an arm's length basis. This reflects the expected contribution of Pacific's expertise to the JV Company and the Singapore JV in the establishment of fabric and garment production facilities in Bangladesh.

The terms of the Shareholders' Agreement are arrived at after arm's length negotiations which are on normal commercial terms. The Directors, including the independent non-executive Directors, consider that the Transaction is in the ordinary course of business and on normal commercial terms and the terms of the Shareholders' Agreement are fair and reasonable and in the interest of the Company and its shareholders as a whole.

IMPLICATIONS OF THE TRANSACTION UNDER THE LISTING RULES

As one of the relevant percentage ratios is more than 25% but less than 75%, the Transaction constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under the Listing Rules. No shareholders of the Company and, or their respective associates have any material interest in the Transaction and therefore no person is required to abstain from voting on the relevant resolutions in the EGM.

A circular containing, amongst other things, details of the Transaction and Shareholders' Agreement and a notice of the EGM will be despatched to the shareholders of the Company as soon as practicable.

INFORMATION ON THE GROUP

The Group is a leading manufacturer of customised knitted fabrics, with a focus on complex and value-added fabrics that are used in a broad range of garments. It also offers warp and weft knitting along with printing services. In 2007, the Group diversified into non-apparel products to manufacture automotive fabrics. At present, the Group's production plants are located in Panyu, China and Sri Lanka.

INFORMATION ON CRYSTAL GROUP

Crystal Group is a garment trading and manufacturing company with an annual production capacity of 200 million pieces of garment. It provides original equipment manufacturing and original design manufacturing services for world-renowned fashion brands including M&S, GAP and UNIQLO, etc. Crystal Group (not including Crystal) is a customer of the Group.

Crystal is a wholly-owned subsidiary of Crystal International Limited.

INFORMATION ON KING JUMBO

King Jumbo, the JV Company, is a nominee company incorporated on 10 October 2007 and acquired by Crystal on 5th November, 2008 for the purpose of the transactions contemplated under the Shareholders' Agreement, the Singapore JV Agreement and the Bros JV Agreement. It has been a dormant company since its incorporation. Accordingly, as at the date of this announcement, King Jumbo had a paid up capital of US\$100 and its only assets are the corresponding investment of US\$100 as the paid up capital of the Singapore JV which was incorporated on 25 November 2008 for the purpose of the transactions contemplated under the Shareholders' Agreement, the Singapore JV Agreement and the Bros JV Agreement.

Upon completion of the Shareholders' Agreement, King Jumbo, a jointly-controlled entity of the Company, will be principally engaged in holding, managing, administering its interests in the Singapore JV and providing the necessary capital and overall management supervision services to the Singapore JV and, or its subsidiaries to facilitate the establishment of its fabric and garment production facilities in Bangladesh.

INFORMATION ON FAST RETAILING

Fast Retailing is a company listed on the Tokyo Stock Exchange in July 1997 and a group of apparel-related companies which includes Japan's biggest casual clothing chain UNIQLO. Fast Retailing is a customer of Crystal Group.

INFORMATION ON BROS

Bros is a producer of top-tyed mélange yarn operating spinning plants and cotton processing plants throughout the PRC. Its cotton-dyeing factories in Ningbo use environment-safe, pollution-free reactive dyes on its yarns. Bros is the major supplier of yarns of the Group.

Save as disclosed herein, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Crystal, Fast Retailing, Trendit and Bros and each of their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

RESUMPTION OF TRADING

Trading in the shares of the Company on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on Friday, 28 November 2008 pending the release of this announcement. The Company has applied to the Stock Exchange for a resumption of trading in its shares with effect from 2:30 p.m. on Friday, 28 November 2008.

DEFINITIONS

In this announcement, unless otherwise indicated in the context, the following expressions have the meaning set out below:

“Board”	the board of directors of the Company
“Bros”	Bros Eastern Company Ltd., a company incorporated in the PRC with limited liability
“Bros JV Agreement”	the agreement to be entered into between the Singapore JV and Bros, upon the execution of the Shareholders’ Agreement, in relation to the establishment of a new company in Bangladesh to operate a spinning mill
“BVI”	The British Virgin Islands
“connected persons”	has the meaning ascribed under the Listing Rules
“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
“Crystal”	Justice Faith Holdings Limited, a company incorporated in the BVI with limited liability, which is a wholly-owned subsidiary of Crystal International Limited
“Crystal Group”	Crystal International Limited, a company incorporated in Bermuda with limited liability, and its subsidiaries (including Crystal)
“Directors”	the directors of the Company and its subsidiaries
“EGM”	the extraordinary general meeting of the Company to be held in January 2009 to consider, and if thought fit, approve, amongst other things, the Shareholders’ Agreement and the transactions contemplated thereunder
“Fast Retailing”	Fast Retailing Company Limited, a company incorporated in Japan with limited liability and listed on the Tokyo Stock Exchange since July 1997
“Group”	the Company together with its subsidiaries

“JV Company”	King Jumbo, being the jointly-controlled entity which shall be owned by Pacific and Crystal upon completion of the Shareholders’ Agreement
“King Jumbo”	King Jumbo Investment Limited, a company incorporated in the BVI with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as enforced at the relevant time
“non-voting Shares”	shares in the JV Company which shall carry no voting rights but, subject to certain limit not relevant to this Transaction for practical purposes, shall entitle the holders to participate in the distribution of the JV Company in the same way as the voting Shares
“Pacific”	Goodscore Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“Share”	shares in the capital of the JV Company, comprising voting Shares of par value and non-voting Shares of US\$1 each
“Shareholders’ Agreement”	the shareholders’ agreement dated 28 November 2008, entered into between Pacific, Crystal and King Jumbo in relation to the Transaction
“Singapore JV”	CPAT (Singapore) Private Ltd., a company incorporated in Singapore with limited liability
“Singapore JV Agreement”	the agreement to be entered into between the JV Company, Trendit and Fast Retailing, upon the execution of the Shareholders’ Agreement, in relation to the joint investment in the Singapore JV
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the financial commitment made or to be made by the Company in the JV Company for an aggregate amount currently estimated to be US\$33,864,000 pursuant to the Shareholders’ Agreement

“Trendit”	Trendit Corporation, a company incorporated in the Cayman Islands with limited liability
“voting Shares”	shares in the JV Company which shall carry voting rights
“%”	per cent

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

Hong Kong, 28 November 2008

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

** For identification only*