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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Prospectus and the Announcement in relation to the Non-Exempt Continuing Connected Transactions contemplated under various agreements which will be expired on 31 March 2010 and 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 to 31 March 2013.

The transactions contemplated under the following agreements entered into by the Company will be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement as the applicable percentage ratios under the Listing Rules are expected to be not less than 0.1% but less than 2.5% on an annual basis.

- Brandix Printing Services Master Agreement with Brandix;
- PT Sri Lanka Sale of Products Master Agreement with PT Sri Lanka; and
- HC Companies Sale of Products Master Agreement with HC Compaines.

The transactions contemplated under the Brandix Sale of Products Master Agreement will be subject to the reporting, announcement and independent shareholders approval requirements as the applicable percentage ratios under the Listing Rules are expected to be more than 2.5% on an annual basis and the maximum annual consideration is more than HK\$10 million.

An EGM will be convened to seek the independent Shareholders' approval of the renewal of the Brandix Sale of Products Master Agreement and the proposed caps thereof. A circular containing, among others, further details of the transactions contemplated under the Brandix Sale of Products Master Agreement, the respective advice of the Independent Financial Adviser and the Independent Board Committee and the notice of the EGM, will be dispatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

Karl Thomson Financial Advisory Limited has been appointed as the Independent Financial Advisor to the IBC.

* *For identification only*

INTRODUCTION

Reference is made to the Prospectus and the Announcement in relation to the Non-Exempt Continuing Connected Transactions contemplated under the following agreements entered into by the Company:

- Brandix Printing Services Master Agreement with Brandix;
- Brandix Sale of Products Master Agreement with Brandix;
- PT Sri Lanka Sale of Products Master Agreement with PT Sri Lanka; and
- HC Companies Sale of Products Master Agreement with HC Companies.

CONNECTED PERSONS

According to the Listing Rules, Brandix, by virtue of its 40% shareholding in PT Sri Lanka, a subsidiary of the Company, is regarded as a connected person of the Company. Brandix Group and its associates are therefore also regarded as connected persons of the Company.

PT Sri Lanka is owned as to 60% and 40% by PTJL, a wholly-owned subsidiary of the Company and Brandix respectively. PT Sri Lanka is an associate of Brandix according to the definition of “associate” under the Listing Rule 1.01. Accordingly, PT Sri Lanka is regarded as a connected person of the Company under the Listing Rules.

Mr. Henry Choi is the son of Mr. Choi Kin Chung, a director of the Company. Pursuant to the Listing Rule 14A.11(4)(b), Mr. Henry Choi is regarded as connected person of the Company. The following companies in which Mr. Henry Choi has substantial shareholding interest are deemed to be connected persons of the Company under the Listing Rule.

- Vivace Apparel, Inc, a company incorporated in the State of California, U.S.A.;
- Pacific Design Apparel, a company incorporated in the State of California, U.S.A.; and
- Source Smart Asia Limited, a company incorporated in Hong Kong.

The HC Companies are engaged in the apparel business. The HC Companies are operationally and financially independent of the Group. None of the Directors are the directors of the HC Companies. No financial assistance has been provided by the Group to the HC Companies.

DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS

1. **Continuing connected transactions exempt from the independent shareholders’ approval requirement**

Brandix Printing Services Master Agreement

Brandix Group has provided fabric printing services to the Group since the acquisition of the interest in PT Sri Lanka by the Group. As disclosed in the Announcement, the Brandix Printing Services Master Agreement dated 27 August 2007 was entered between the Company and Brandix, pursuant to which, the parties

would enter into, and procure their respective subsidiaries and associates to enter into, such 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 Brandix Group and its associates to independent third parties and subject to the other terms and conditions set out therein.

The Brandix Printing Services Master Agreement has 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. Accordingly, upon the renewal, the Brandix Printing Services Master Agreement will be expired on 31 March 2013.

Set out below the aggregate fees in relation to fabric printing services paid by the Group to Brandix Group and its associates for each of the years ended 31 March 2008 and 2009 and the six months ended 30 September 2009:

	For the year ended 31 March 2008 HK\$'000	For the year ended 31 March 2009 HK\$'000	For the six months ended 30 September 2009 HK\$'000
Services fee contemplated under the Brandix Printing Services Master Agreement	5,367	6,435	10,857

The proposed annual caps for each of the three years ending 31 March 2013 are set out below:

	For the year ending 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Proposed annual caps	33,000	44,000	57,000

The proposed annual caps for each of the three years ending 31 March 2013 have been estimated with reference to (i) the compound annual growth rate of approximately 100% of the services fee during the two financial years ended 31 March 2008 to 2009 and the six months ended 30 September 2009; (ii) the annualized sales in the financial year ending 31 March 2010; and (iii) an annual growth rate of approximately 30% on the proposed annual caps.

The Directors (including the INEDs) have confirmed that the fees charged for the printing services provided by Brandix Group and its associated to the Group have been determined on an arm's length basis by reference to the prevailing market rates or at rates similar to those offered by Brandix Group and its associates to any other independent third party customers.

The Directors (including the INEDs) are of the opinion that the proposed caps are fair and reasonable and that the transactions contemplated under Brandix Printing Services Master Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of Brandix Printing Services Master Agreement are fair and reasonable and in the interest of the Shareholders as a whole.

The applicable percentage ratios under the Chapter 14A of the Listing Rules, in respect of transactions contemplated under the Brandix Printing Services Master Agreement is expected to be not less than 0.1% but less than 2.5% on an annual basis. Accordingly, the transactions contemplated under the Brandix Printing Services Master Agreement will be subject to the reporting and announcement requirements under the Chapter 14A of the Listing Rules.

PT Sri Lanka Sale of Products Master Agreement

The Group (other than PT Sri Lanka) has sold knitted fabrics and greige fabrics to PT Sri Lanka following the acquisition of the interest in PT Sri Lanka by the Group. As disclosed in the Prospectus, the PT Sri Lanka Sale of Products Master Agreement dated 30 April 2007 was entered between the Company and PT Sri Lanka, pursuant to which, the parties would enter into, and the Company would procure its subsidiaries (other than PT Sri Lanka) to enter into, such transactions at prices determined on an arm's length basis and comparable to the prevailing market rates or to the cost for processing greige fabrics and subject to the other terms and conditions set out therein.

The PT Sri Lanka Sale of Products Master Agreement has an initial term from 1 April 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. Accordingly, upon the renewal, the PT Sri Lanka Sale of Products Master Agreement will be expired on 31 March 2013.

Set out below the aggregate sales from the Group (other than PT Sri Lanka) to PT Sri Lanka for each of the years ended 31 March 2008 and 2009 and the six months ended 30 September 2009:

	For the year ended 31 March 2008 HK\$'000	For the year ended 31 March 2009 HK\$'000	For the six months ended 30 September 2009 HK\$'000
Sales contemplated under the PT Sri Lanka Sale of Products Master Agreement	11,126	6,224	14,140

The proposed annual caps for each of the three years ending 31 March 2013 are set out below:

	For the year ending 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Proposed annual caps	37,000	48,000	62,000

The proposed annual caps for each of the three years ending 31 March 2013 have been estimated with reference to (i) the compound annual growth rate of approximately 59% on the sales from the Group to PT Sri Lanka during the two years ended from 31 March 2008 to 2009 and the six months ended 30 September 2009; (ii) the annualized sales in the year ending 31 March 2010; and (iii) an annual growth rate of approximately 30% on the proposed annual caps.

The Directors (including the INEDs) have confirmed that the prices of the knitted fabrics and greige fabrics sold to PT Sri Lanka have been determined on an arm's length basis by reference to the prevailing market rates and the cost processing greige fabrics.

The Directors (including the INEDs) are of the opinion that the proposed annual caps are fair and reasonable and that the transactions contemplated under PT Sri Lanka 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 PT Sri Lanka Sale of Products Master Agreement are fair and reasonable and in the interest of the Shareholders as a whole.

The applicable percentage ratios under Chapter 14A of the Listing Rules, in respect of transactions contemplated under the PT Sri Lanka Sale of Products Master Agreement is expected to be not less than 0.1% but less than 2.5% on an annual basis. Accordingly, the transactions contemplated under the PT Sri Lanka Sale of Products Master Agreement will be subject to the reporting and announcement requirements under the Chapter 14A of the Listing Rules.

Sale of products to the HC Companies

The Group currently sells, and will continue to sell, knitted fabrics to the HC Companies. As disclosed in the Prospectus, the HC Companies Sale of Products Master Agreement dated 30 April 2007 was entered between the Company and HC Companies, pursuant to which, the parties would enter into, and the Company would procure its subsidiaries to enter into, such transactions at prices determined on an arm's length basis and comparable to the prevailing market rates or rates similar to those offered by the Group to independent third-parties and subject to the other terms and conditions set out therein.

The HC Companies Sale of Products Master Agreement has an initial term from 1 April 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. Accordingly, upon the renewal, the HC Companies Sale of Products Master Agreement will be expired on 31 March 2013.

Set out below the aggregate sales from the Group to HC Companies for each of the year ended 31 March 2008 and 2009 and the six months ended 30 September 2009:

	For the year ended 31 March 2008 HK\$'000	For the year ended 31 March 2009 HK\$'000	For the six months ended 30 September 2009 HK\$'000
Sales contemplated under the HC Companies Sale of Products Master Agreement	14,574	13,607	1,905

The proposed annual caps for each of the three years ending 31 March 2013 are set out below:

	For the year ending 31 March		
	2011	2012	2013
	HK\$'000	HK\$'000	HK\$'000
Proposed annual caps	16,000	21,000	27,000

The proposed annual caps for each of the three years ending 31 March 2013 have been estimated with reference to (i) the amounts of the Group's sales to the HC Companies for the two financial years ended 31 March 2008 and 2009; and (ii) an annual growth rate of approximately 30% on the proposed annual caps.

The Directors (including the INEDs) have confirmed that the prices of the knitted fabrics sold to HC Companies have been determined on an arm's length basis by reference to the prevailing market rates or rates similar to those charged or to be charged to the Group's other independent third party customers.

The Directors (including the INEDs) are of the opinion that the proposed caps are fair and reasonable and that the transactions contemplated under HC Companies 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 HC Companies Sale of Products Master Agreement are fair and reasonable and in the interest of the Shareholders as a whole.

The applicable percentage ratios under Chapter 14A of the Listing Rules, in respect of transactions contemplated under the HC Companies Sale of Products Master Agreement is expected to be not less than 0.1% but less than 2.5% on an annual basis. Accordingly, the transactions contemplated under the HC Companies Sale of Products Master Agreement will be subject to the reporting and announcement requirements under the Chapter 14A of the Listing Rules.

2. Non-exempt continuing connected transactions subject to independent shareholders' approval

Sale of products to Brandix Group and its associates

The Group has sold knitted fabrics to Brandix Group and its associates since 2001. As disclosed in the Announcement, the Brandix Sale of Products Master Agreement dated 27 August 2007 was entered between the Company and Brandix, pursuant to which, the parties would enter into, and procure their respective subsidiaries and associates to enter into, such 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 the other terms and conditions set out therein.

The Brandix Sale of Products Master Agreement has 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. Accordingly, upon the renewal, the Brandix Sale of Products Master Agreement will be expired on 31 March 2013.

Set out below the aggregate sales of knitted fabrics from the Group to Brandix Group and its associates (other than PT Sri Lanka) for each of the years ended 31 March 2008 and 2009 and the six months ended 30 September 2009:

	For the year ended 31 March 2008 HK\$'000	For the year ended 31 March 2009 HK\$'000	For the six months ended 30 September 2009 HK\$'000
Sales contemplated under the Brandix Sale of Products Master Agreement	199,128	276,900	150,740

The proposed annual caps for each of the three years ending 31 March 2013 are set out below:

	For the year ending 31 March		
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000
Proposed annual caps	377,000	490,000	637,000

The proposed annual caps for each of the three years ending 31 March 2013 have been estimated with reference to (i) the annual compound growth rate of the Group's sales to Brandix Group and its associates (other than PT Sri Lanka) of approximately 23% for the two financial years ended 31 March 2008 to 2009 and the six months ended 30 September 2009; (ii) the annualized sales in the financial year ending 31 March 2010; and (iii) an annual growth rate of approximately 30% on the proposed annual caps.

The Directors (including the INEDs) have confirmed that the prices of the knitted fabrics sold to Brandix Group and its associates (other than PT Sri Lanka) by the Group have been determined on an arm's length basis by reference to the prevailing market rates or at rates similar to those offered by the Group to any other independent third party customers.

The Directors (excluding the INEDs who will provide their advice after having received the advice from the Independent Financial Adviser) are of the opinion that the proposed caps are fair and reasonable and that the transactions contemplated under Brandix Sale of Products Services Master Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of Brandix Sale of Products Master Agreement are fair and reasonable and in the interest of the Shareholders as a whole.

The applicable percentage ratios under Chapter 14A of the Listing Rules, in respect of transactions contemplated under the Brandix Sale of Products Master Agreement is expected to be more than 2.5% on an annual basis and the maximum annual consideration is more than HK\$10 million. Accordingly, the transactions contemplated under the Brandix Sale of Products Master Agreement will be subject to independent shareholders' approval, reporting and announcement requirements under the Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in manufacturing and selling customised knitted fabrics with a focus on complex, value-added fabrics. The Group sold customised knitted fabrics to garment manufacturers world-wide. The Non-exempt Continuing Connected Transactions would broaden the revenue of and provide fabric printing support services to the Group. The renewal of the Non-Exempt Continuing Connected Transactions will be beneficial to the growth of the business and broaden the source of revenue of the Group. To continue the Non-Exempt Continuing Connected Transactions is of the interest of the Company as a whole.

INFORMATION ABOUT THE COMPANY AND THE PARTIES

The Company

The Company is an investment holding company. Its subsidiaries, including PT Sri Lanka, are principally engaged in manufacturing and selling customised knitted fabrics.

Brandix

Brandix is a company with limited liability and incorporated in Sri Lanka. Brandix engages in the 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.

PT Sri Lanka

PT Sri Lanka is a subsidiary of the Company owned as to 60% by PTJH, a wholly-owned subsidiary of the Company and as to 40% by Brandix. The principal activity of PT Sri Lanka is the manufacture and sale of customized knitted fabrics.

HC Companies

HC Companies are engaged in apparel business, operate independently of the Group.

EGM

An extraordinary general meeting will be convened to approve, inter alia, the renewal of the Brandix Sale of Products Master Agreement and the proposed annual caps in respect of the continuing connected transactions contemplated under Brandix Sale of Products Master Agreement. The voting at the EGM will be taken by way of poll. None of the Shareholders will be required to abstain from voting at the EGM in respect of the ordinary resolution to approve the renewal of the Brandix Sale of Products Master Agreement and the proposed annual caps. The Independent Board Committee comprising all INEDs has been set up to advise the Shareholders in relation to the Brandix Sale of Products Master Agreement and the proposed annual caps. Karl Thomson Financial Advisory Limited has been appointed as the Independent Financial Advisor to advise the Independent Board Committee in this regard.

A circular containing, among other things, further details of the transactions contemplated under the Brandix Sale of Products Master Agreement (including the proposed annual caps), the respective advice of the Independent Financial Adviser and the Independent Board Committee and the notice of the EGM, will be dispatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 30 August 2007 in relation to the continuing connected transaction contemplated under Brandix Printing Services Master Agreement and Brandix Sale of Products Master Agreement
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors of the Company
“Brandix”	Brandix Lanka Limited, a company with limited liability and incorporated in Sri Lanka
“Brandix Group”	Brandix and its subsidiaries

“Brandix Printing Services Master Agreement”	a printing services master agreement between the Company and Brandix dated 27 August 2007
“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, an exempted company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Directors”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held in March 2010 to consider and approve, inter alia, the renewal of the Brandix Sale of Products Master Agreement and the proposed annual caps
“Group”	the Company and its subsidiaries
“HC Companies”	The companies in which Mr. Henry Choi has substantial interest
“HC Companies Sale of Products Master Agreement”	a sale of products master agreement between the Company and HC Companies dated 30 April 2007
“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” or “IBC”	the independent board committee comprising all the INEDs, namely Mr. Chan Yue Kwong, Michael, Mr. Ng Ching Wah and Mr. Sze Kwok Wing, Nigel
“Independent Financial Adviser”	Karl Thomson Financial Advisory Limited, a corporation licensed under the SFO (Chapter 571 of the Laws of Hong Kong) to carry out type 6 regulated activities (advising on corporate finance), the independent financial adviser appointed to advise the Independent Board Committee in relation to the the transactions contemplated under the Brandix Sale of Products Master Agreement

“INEDs”	the independent non-executive Directors
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Exempt Continuing Connected Transactions”	the continuing connected transactions contemplated under the Brandix Printing Services Master Agreement, Brandix Sale of Products Master Agreement, PT Sri Lanka Sale of Products Master Agreement and HC Companies Sale of Products Master Agreement subject to reporting and announcement requirements and/or independent shareholders’ approval under Chapter 14A of the Listing Rules
“Prospectus”	the prospectus of the Company dated 7 May 2007 in relation to the listing of the Shares on the Main Board of the Stock Exchange
“PTJH”	Pacific Textured Jersey Holdings Limited, a wholly-owned subsidiary of the Company and a BVI business company incorporated in the British Virgin islands, which owns 60% 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 60% and 40% by PTJH and Brandix, respectively
“PT Sri Lanka Sale of Products Master Agreement”	a sale of products master agreement between the Company and PT Sri Lanka dated 30 April 2007
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, February 26, 2010

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.