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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**, you should at once hand this circular and the accompanying form of proxy 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: 01382)

PROPOSED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS WITH CRYSTAL GROUP

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



Karl Thomson Financial Advisory Limited

A letter from the Board is set out on pages 3 to 7 of this circular. A letter from the Independent Board Committee is set out on pages 8 to 9 of this circular. A letter of advice from Karl Thomson, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 10 to 20 of this circular.

A notice convening the EGM 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 Friday, 6 January 2012 at 10:00 a.m. is set out on pages 26 to 27 of this circular. A form of proxy for use at the EGM is enclosed herewith. Whether or not you are able to attend the EGM, 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

Hong Kong, 16 December 2011

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DEFINITIONS

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

“Articles”	the Articles of Association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“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
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“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
“Crystal Peak”	Crystal Peak International Limited, a company incorporated under the laws of the British Virgins Islands
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held on 6 January 2012 to consider and, if thought fit, approve the New Master Agreement and 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
“Independent Board Committee”	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” or “Karl Thomson”	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 and the Independent Shareholders in relation to the proposed annual caps for the Continuing Connected Transactions

DEFINITIONS

“Independent Shareholders”	Shareholders who are not required to abstain from voting under the Listing Rules at the EGM on the ordinary resolutions for approving the New Master Agreement and the proposed annual caps for the Continuing Connected Transactions
“INEDs”	the independent non-executive Directors
“Latest Practicable Date”	13 December 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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.
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	share(s) with a nominal value of HK\$0.001 each in the capital of the Company
“Share Options”	share option(s) to subscribe for Shares granted pursuant to the share option scheme adopted by the Company pursuant to the written resolutions of the Shareholders passed on 27 April 2007
“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

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: 01382)

Executive Directors

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

Non-executive Directors

Mr. CHOI Kin Chung
Mr. IP Ping Im
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

16 December 2011

Dear Shareholders,

PROPOSED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS WITH CRYSTAL GROUP

INTRODUCTION

Reference is made to the announcement of the Company dated 25 November 2011 in respect of the proposed annual caps for the Continuing Connected Transactions for each of three years ending 31 March 2014.

The purposes of this circular are to provide you with, among other things, (i) further information on the New Master Agreement and the Continuing Connected Transactions (including the proposed annual caps); (ii) a letter of advice from Karl Thomson to the Independent Board Committee and the Independent Shareholders on the New Master Agreement and the proposed annual caps for the Continuing Connected Transactions; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the New Master Agreement and the proposed annual caps for the Continuing Connected Transactions; and (iv) a notice of the EGM.

* For identification purpose only

LETTER FROM THE BOARD

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 sales 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 therefore proposed 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.

MAJOR TERMS OF THE MASTER AGREEMENT AND NEW MASTER AGREEMENT

Pursuant to the Master Agreement, the Group and the Crystal Group entered into Transaction relating to the sale and purchase of knitted fabrics manufactured or owned by any member of 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 price of 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 any independent third party.

The Master Agreement has an initial term from 19 August 2010 to 31 March 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 month's prior written notice to the other party.

LETTER FROM THE BOARD

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 Latest Practicable Date. 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 TRANSACTION

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 9.1% 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 fabrics 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.

LETTER FROM THE BOARD

The Directors (excluding the INEDs whose opinion is set out in the “Letter from the Independent Board Committee” in this circular) 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 the terms of the New Master Agreement (including the proposed annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors or their respective associates has any interest in the Crystal Group. None of the Directors has a material interest in the New Master Agreement and the Transaction and none of them has abstained from voting on the relevant Board resolutions approving the New Master Agreement and the proposed annual caps for the Continuing Connected Transactions.

LISTING RULES IMPLICATIONS

Crystal Peak, 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.

EGM

The 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. Karl Thomson has been appointed as the independent financial adviser for advising the Independent Board Committee and the Shareholders in respect of the New Master Agreement and the proposed annual caps for the Continuing Connected Transactions.

As at the Latest Practicable Date, (i) two private companies controlled by the ultimate beneficial owners of the Crystal Group were Shareholders respectively holding 15,000,000 Shares and 40,000,000 Shares (together representing approximately 3.84% of the entire issued share capital of the Company) and (ii) Crystal Prudence Limited, a wholly-owned subsidiary of Crystal International is a Shareholder holding 15,000,000 Shares (representing approximately 1.05% of the entire issued share capital of the Company) and these Shareholders will be required to abstain from voting under the Listing Rules at the EGM on the ordinary resolution for approving the New Master Agreement and the proposed annual caps for the Continuing Connected Transactions. Save as the aforesaid, none of the Shareholders will be required to abstain from voting under the Listing Rules at the EGM on the ordinary resolution for approving the New Master Agreement and the proposed annual caps for the Continuing Connected Transactions.

LETTER FROM THE BOARD

Notice of the EGM is set out on pages 26 to 27 of this circular. A form of proxy for use 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.

RECOMMENDATION

Your attention is drawn to the letter of the Independent Board Committee set out on pages 8 and 9 of this circular containing its recommendation to the Shareholders and the letter of advice from Karl Thomson set out on pages 10 and 20 of this circular containing its advice to the Independent Board Committee and to the Shareholders, in relation to the New Master Agreement and the proposed annual caps for the Continuing Connected Transactions.

Taking into account the recommendations of Karl Thomson, the Independent Board Committee concurs with the views of Karl Thomson that (i) the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and on normal commercial terms; (ii) the terms of the New Master Agreement (including the proposed annual caps) are fair and reasonable; and (iii) the proposed annual caps for the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole. The Board therefore recommends the Shareholders to vote in favour of the ordinary resolution in relation to the New Master Agreement and the proposed annual caps for the Continuing Connected Transactions to be proposed at the EGM.

GENERAL

Your attention is also drawn 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

16 December 2011

To the Shareholders

Dear Sir/Madam,

PROPOSED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS WITH CRYSTAL GROUP

INTRODUCTION

We refer to the circular dated 16 December 2011 (the “Circular”) of which this letter forms part issued by the Company to the Shareholders. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

We, being the INEDs, have been appointed as members of the Independent Board Committee. The Independent Board Committee was established to advise the Shareholders whether, in our opinion, the terms of the New Master Agreement (including the proposed annual caps) are fair and reasonable and whether the New Master Agreement (including the proposed annual caps) are in the interests of the Company and the Shareholders as a whole and to advise the Shareholders on how to vote, taking into account the recommendations of Karl Thomson which has been appointed as the Independent Financial Adviser.

The details of the New Master Agreement and the proposed annual caps for the Continuing Connected Transactions are summarised in the “Letter from the Board” set out on pages 3 to 7 of the Circular. You are strongly urged to read the “Letter of advice from Karl Thomson” set out on pages 10 to 20 of the Circular.

RECOMMENDATION

As the Independent Board Committee, we have discussed with the management of the Company the reasons for the New Master Agreement and the proposed annual caps and the basis upon which its terms and the proposed annual caps for the Continuing Connected Transactions 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 Karl Thomson”.

** 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 the Continuing Connected Transactions contemplated by the New Master Agreement and the size of the proposed annual caps are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable; and in the interests of the Company and the Shareholders as a whole.

We recommend the Shareholders to vote in favour of the ordinary resolution in relation to the New Master Agreement and the proposed annual caps for the Continuing Connected Transactions 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 KARL THOMSON

The following is the text of the letter of advice from Karl Thomson to the Independent Board Committee and the Independent Shareholders in respect of the proposed annual caps for the Continuing Connected Transactions for inclusion in this circular.



高信融資服務有限公司

Karl Thomson Financial Advisory Limited

27/F., Fortis Tower,
77-79 Gloucester Road,
Wan Chai, Hong Kong

16 December 2011

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

Dear Sir or Madam,

PROPOSED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed annual caps for the continuing connected transactions between Pacific Textile Holdings Limited and Crystal International Limited and their respective subsidiaries and associates under New Master Agreement (the “**Continuing Connected Transactions**”) for the three financial years ending 31 March 2014. Details of the Continuing Connected Transactions are set out in the “Letter from the Board” contained in the circular to the Shareholders dated 16 December 2011 (the “**Circular**”), of which this letter forms a part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

PCGT Limited is owned as to 75% by Pacific GT Limited, an indirect non wholly-owned subsidiary of the Company and 25% by Crystal Peak, a wholly owned subsidiary of Crystal International. According to the Listing Rules, Crystal Peak, by virtue of its 25% shareholdings in PCGT Limited is a connected person of the Company. Accordingly, the Crystal Group is also regarded as a connected person of the Company. As a result, transactions between the Group and Crystal Group have constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER OF ADVICE FROM KARL THOMSON

Against this background, the Company and Crystal International, the holding company of Crystal Peak, entered into the Master Agreement on 19 August 2010 in respect of the continuing connected transactions between the Group and the Crystal Group relating to sale and purchase of knitted fabric for a term of three years ending 31 March 2013. As mentioned in the Letter from the Board, the Company's internal reporting revealed that the transaction amount of the aggregate sales of the knitted fabrics to the Crystal Group under the Master Agreement is expected to exceed the existing annual caps of HK\$667 million for the year ending 31 March 2012, the Board therefore proposed to revise the existing annual caps for the two years ending 31 March 2012 and 2013. At the same time, the Board proposed to extend the term of the Master Agreement to 31 March 2014 by entering into the New Master Agreement. Upon the approval of the New Master Agreement by the Independent Shareholders in the EGM, the Master Agreement will be lapsed and superseded by the New Master Agreement with an initial term extended to 31 March 2014. As a result, the Board proposed annual caps for each of the three years ending 31 March 2014 (collectively the "**Proposed Annual Caps**"). As each of the applicable percentage ratios for the Proposed Annual Caps under the New Master Agreement is more than 5%, the transactions contemplated under the New Master Agreement will constitute non-exempt continuing connected transactions for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chan Yue Kwong, Michael, Mr. Ng Ching Wah and Mr. Sze Kwok Wing, Nigel, was formed, to advise the Independent Shareholders in respect to the New Master Agreement and the proposed annual caps for the Continuing Connected Transactions. As at the Latest Practicable Date, (i) two private companies controlled by the ultimate beneficial owners of the Crystal Group were Shareholders respectively holding 15,000,000 Shares and 40,000,000 Shares (together representing approximately 3.84% of the entire issued share capital of the Company); and (ii) Crystal Prudence Limited, a wholly-owned subsidiary of Crystal International is a Shareholder holding 15,000,000 Shares (representing approximately 1.05% of the entire issued share capital of the Company). These Shareholders will abstain from voting under the Listing Rules at the EGM on the ordinary resolution for approving the New Master Agreement and the proposed annual caps for the Continuing Connected Transactions.

Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company. We are independent of the Company for the purposes of Rule 13.84 of the Listing Rules.

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

LETTER OF ADVICE FROM KARL THOMSON

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.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving our opinion for the New Master Agreement and the proposed annual caps for the Continuing Connected Transactions, we have taken into account the following principal factors and reasons:

I. Background

a) The Group

The Group is principally engaged in manufacturing and selling customized knitted fabrics with a focus on complex, value-add fabrics. Set out below summarized the financial information of the Group for the two years ended 31 March 2011:

	For the year ended 31 March	
	2010	2011
	HK\$'000	HK\$'000
Revenue	5,883,413	7,180,664
Gross profit	1,221,764	1,289,959
Profit attributable to equity holders of the Company	803,186	876,374
Gross profit margin	20.77%	17.96%
	As at 31 March	
	2010	2011
	HK\$'000	HK\$'000
Total assets	4,656,284	5,299,930
Total liabilities	1,336,331	1,412,350
Net assets	3,319,953	3,887,580

From the above financial figures, revenue of the Group increased from approximately HK\$5,883 million to HK\$7,181 million in the year ended 31 March 2011, representing a growth rate of approximately 22.06%. However, the net profit attributable to equity holders of the Company only slightly increased by approximately 9.09%, from approximately HK\$803 million to HK\$876 million. Meanwhile, the gross profit margin has also decreased from approximately 20.77% to 17.96%. According to the annual report of the Group for the financial year ended 31

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March 2011 (the “2011 Annual Report”), the revenue increase was primarily due to the production capacity expansion of the Group and the increase in average selling price of the products. For the decline in gross profit margin, it was mainly attributable to the upsurge of production costs and price hike of the raw materials.

b) The Crystal Group

Crystal Peak is an investment holding company wholly-owned by Crystal International, which together with its subsidiaries, is a garment trading and manufacturing company with an annual production capacity of 200 million pieces of garment. The group provides original equipment manufacturing and original design manufacturing services for the world-renowned fashion brands such as M&S, GAP and UNIQLO.

II. Reasons for and benefits of undergoing the Continuing Connected Transactions

The Group has been continuously supplying various types of knitted fabric to the Crystal Group for over ten years. During the four years ended 31 March 2011, the aggregate sales of knitted fabrics from the Group to the Crystal Group has grown from approximately HK\$192 million to HK\$655 million, representing a compound annual growth rate of approximately 50.53%. According to the breakdown of sales of the Company, the Crystal Group has been one of the top five customers of the Group attributable to more than 5% of the Group’s revenue for many years. It is a historical fact that the Crystal Group has been a major customer to the Company in terms of revenue earned. Table below sets out an analysis on the sales from the Group to the Crystal Group in the past four financial years ended 31 March 2011:

	For the year ended 31 March			
	2008	2009	2010	2011
Sales from the Group to the Crystal Group (HK\$’000)	192,474	318,331	329,270	655,316
Growth rate (%)	—	65.39	3.44	99.02
Revenue of the Group (HK\$’000)	4,280,646	4,734,816	5,883,413	7,180,664
% of revenue	4.50	6.72	5.60	9.13

Furthermore, the Continuing Connected Transactions between the Group and the Crystal Group are subject to annual review by the independent non-executive Directors and the disclosure of their view has been set out in the annual reports of the Company. According to the 2011 Annual Report of the Company, the Directors are of the view that such Continuing Connected Transactions fall within the respective ordinary and usual course of businesses of the Group and on normal commercial terms which are not less favourable to the Group than the terms available to or from the independent third parties. In view of the long term business relationship between the Group and the Crystal Group and the nature of the Continuing Connected Transactions, it will be for the benefit of the Company and its Shareholders for continuing to supply knitted fabric to the Crystal Group.

LETTER OF ADVICE FROM KARL THOMSON

III. Principal Terms of the New Master Agreement

Pursuant to the New Master Agreement, the Group will be continuously supplying the Crystal Group with knitted fabrics with an initial term for three years ending 31 March 2014. The New Master Agreement is merely an extension for its initial term to 31 March 2014 of the Master Agreement, such that other terms and conditions of the Master Agreement remain unchanged. Subject to the approval of the New Master Agreement together with the proposed annual caps by the independent Shareholders in the EGM, the Master Agreement will be lapsed and superseded by the New Master Agreement.

Under the terms of the New Master Agreement, the Continuing Connected Transactions will be carried out 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.

i. Comparisons of terms offered to the Crystal Group and the Group's other connected persons

For the purpose of determining the fairness and reasonableness of the New Master Agreement, we have tried to review agreement entered into between by the Company and the independent third parties. However, the management of the Company confirms that it did not enter into any contracts with independent third parties other than its connected persons. As an alternative, we have reviewed all current agreements other than the Master Agreement, being the agreements entered into by the Company and its connected persons (other than the Crystal Group) under the Listing Rules for the financial year ended 31 March 2011:

Date of agreement	Parties	Product	Pricing	Terms
27 August 2007	Supplier: the Company; Purchaser: Brandix Lanka Limited ("Brandix") Brandix, by virtue of its shareholding in PT Sri Lanka, a subsidiary of the Company, was a substantial shareholder and hence a connected person of the Company. (See also the Note below)	Sale of knitted fabric	Determined on arm's length basis by reference to the prevailing market rates or rates similar to those offered by the Group to any other independent third parties	3 years and automatically renewed for a further term of three years ending 31 March 2013

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Date of agreement	Parties	Product	Pricing	Terms
30 April 2007	<p>Supplier: the Company;</p> <p>Purchasers: Collectively Vivace Apparel Inc., Pacific Design Apparel and Source Smart Asia Limited, the companies which Mr. Henry Choi has substantial interest (“HC Companies”)</p> <p>Mr. Henry Choi, who is the son of a Director namely Mr. Choi Kin Chung, is regarded as a connected person of the Company under Listing Rules.</p>	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 and automatically renewed for a further term of three years ending 31 March 2013
30 April 2007	<p>Supplier: the Company;</p> <p>Purchaser: Textured Jersey Lanka Limited (“PT Sri Lanka”)</p> <p>PT Sri Lanka was regarded as a connected person as it was an associate of Brandix. <i>(See also the Note below)</i></p>	Sale of knitted fabrics and greige fabrics	Determined on arm’s length basis by reference to the prevailing market rates or rates similar to those offered by the Group to any other independent third parties	3 years and automatically renew for a term of 3 years ending 31 March 2013

Note: After the pre initial public offer private placement of part of PT Sri Lanka shares held by Pacific Textured Jersey Holdings Limited and Brandix to certain institutional and non-institutional investors in June 2011 (the “Pre-IPO Private Placement”), PT Sri Lanka ceased to be a subsidiary of the Group and therefore, starting from June 2011, Brandix and PT Sri Lanka were no longer regarded as connected persons of the Company.

Save for the abovementioned agreements, the Group has not entered into any other similar arrangement in which the scope is material comparable to the New Master Agreement, with which we would consider to compare and review in formulating the opinion in this letter of advice. Having made the aforesaid review, we note that the pricing basis offered by the Group to the Crystal Group under the terms of the New Master Agreement is the same as those offered to other connected persons.

LETTER OF ADVICE FROM KARL THOMSON

ii. Comparisons of terms offered to the Crystal Group and other independent third party customers

As advised by the management of the Company, the selling price for each purchase order is negotiated and determined based on the then prevailing market price and the payment terms are set to follow normal sales practice. For the purpose of formulating our advice, we have reviewed 30 purchase orders from each of the Crystal Group and the independent third party customers during the period from 1 April 2011 to 30 September 2011. Based on the documents provided, we notice that there is no material difference in the selling price of same products purchased by the Crystal Group and the independent third party customers during the said period. Furthermore, the Crystal Group is normally granted a credit period of 45 days upon delivery of good. Comparing with the independent third party customers who have made order in comparable size to the Crystal Group, the payment terms offered to various parties are also similar.

IV. The Proposed Annual Caps

(i) Reason for the new Proposed Annual Caps

As mentioned in the Letter from the Board, the Company expected that the aggregate sales of knitted fabric from the Group to the Crystal Group under the Master Agreement will exceed the existing annual caps of HK\$667 million for the year ending 31 March 2012. With reference to the un-audited sale figures provided from the Company, the aggregate sale to the Crystal Group for the six months ended 31 September 2011 is approximately HK\$425 million, representing an utilization rate on the existing annual cap for the year ending 31 March 2012 of approximately 63.72%. Such a great increase in transaction amount is mainly due to the unexpected rapid growth in sale to the Crystal Group as well as the average selling price of the knitted fabrics. As stated in the Letter from the Board, the Directors confirmed that the annual cap under the Master Agreement for the year ending 31 March 2012 has not been exceeded up to the Latest Practicable Date.

Due to the anticipated increase in sale volume and average selling price of knitted fabrics supplied to the Crystal Group under the Master Agreement, the Board expects that the existing annual caps for the years ending 31 March 2012 and 31 March 2013 (the “Existing Annual Caps”) would be under-estimated and therefore proposes annual caps for each of the three year ending 31 March 2014 by extension of the term of the Master Agreement to 31 March 2014 correspondingly, so that the transactions between the Group and the Crystal Group would not be interrupted.

(ii) Determination of the Proposed Annual Caps

Set out below shows a comparison between the Existing Annual Caps and the Proposed Annual Caps for the three financial years ending 31 March 2014:

For the year ending 31 March	Existing Annual Caps	% Growth	Proposed Annual Caps	% Growth
2012	HK\$667 million	N/A	HK\$950 million	N/A
2013	HK\$900 million	35%	HK\$1,380 million	45%
2014	N/A	N/A	HK\$2,000 million	45%

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As illustrated in the table above, the proposed annual cap for the year ending 31 March 2012 is HK\$950 million, representing an increase of approximately 42% over the existing annual caps of HK\$667 million whereas for the proposed annual caps for the years ending 31 March 2013 and 31 March 2014, the growth rate of approximately 45% is adopted. Comparing with the Existing Annual Caps, the growth rate of the Proposed Annual Caps was increased from 35% to 45%.

According to the management of the Company, calculation of the Proposed Annual Caps was based on:

- i. the sales amount from the Group to the Crystal Group for the six months ended 30 September 2011 was approximately HK\$425 million;
- ii. the estimated annualized sales amount for the year ended 31 March 2012 of approximately HK\$850 million; and
- iii. the compound annual growth rate (the “CAGR”) of approximately 45% for the five financial years ending 31 March 2012.

In assessing the fairness and reasonableness of the Proposed Annual Caps, we have taken into account the following aspects:

(a) *Historical sales amount to the Crystal Group*

Table below summarized the historical sales from the Group to the Crystal Group for the last four financial years ended 31 March 2011 and the six months ended 30 September 2011:

	For the year ended 31 March				For the six months ended 30 September 2011	For the year ending 31 March 2012 <i>(Note)</i>
	2008	2009	2010	2011		
Sales from the Group to the Crystal Group (<i>HK\$'000</i>)	192,474	318,331	329,270	655,316	424,619	849,238
Growth rate (%)	—	65.39	3.44	99.02	—	29.59

Note: The figure is arrived at by annualizing the actual figure for the six months ended 30 September 2011.

We are advised by the management of the Company that during the course of sale estimation for the year ending 31 March 2012, the total sales to the Crystal Group is estimated by annualizing the six-month sale figure for the six months ended 30 September 2011 of approximately HK\$425 million. The estimated annual sale (the “Annualized Sales”) is approximately HK\$850 million, representing a growth rate of approximately 29.59% on the actual sales figure of approximately HK\$665 million in the previous year. Base on the Annualized Sales and the historical sale figures as shown above, the CAGR of the sales between the Group and the Crystal Group during the five financial years ending 31 March 2012 is approximately 45%.

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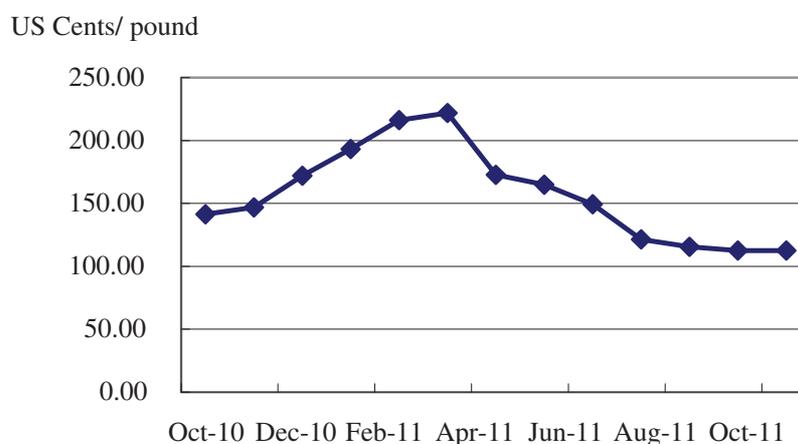
The proposed annual cap of HK\$950 million for the year ending 31 March 2012 is arrived at by adding around 10% buffer on the Annualized Sales, which also represents a growth rate of approximately 45% over the sales for the year ending 31 March 2011. For the calculation of the proposed annual caps for the year ending 31 March 2013 and 31 March 2014, the growth rate of approximately 45% is proposed by the management of the Company.

From the table above, we noted that the growth rate of historical sales between the Group and the Crystal Group have been very volatile, ranging from 3.44% to 99.02%. The sales amount has been ever increasing, albeit it will be more difficult for the management of the Company to carry out a precise estimation on sales in the coming years. In view of the uncertainties in the global economic outlook, the fluctuation in sales to the Crystal Group is expected to be even more unpredictable. Taking into account the under-estimation of annual cap for the year ending 31 March 2012, we considers that higher annual caps are required which could enable the Company to grasp the growth opportunities of the Crystal Group and reduce the chance of exceeding of proposed annual caps in the next three years. Since the revised growth rate on the annual caps for the two years ending 31 March 2014 is comparable to the CAGR of approximately 45% for the five financial years ending 31 March 2012, we are in the opinion that the size of the Proposed Annual Caps is reasonable.

(b) Price volatility of cotton in 2011

As mentioned in the Letter from the Board, the substantial growth in sales to the Crystal Group was not solely resulted from the unexpected increase in sales volume, but also the unexpected surging price of knitted fabrics manufactured or owned by the Group to the Crystal Group. Since cotton is the major raw material used for the production of knitted fabrics, cost of the cotton plays an important role in knitted fabric price setting. For the purpose of formulating our advice, we have reviewed the monthly average price of Cotlook A Index, a representative offering prices on the international raw cotton market, quoted from Bloomberg for the period from October 2010 to October 2011.

Monthly Average Price of Cotlook A Index from Oct 2010 to Oct 2011



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During the period from October 2010 to March 2011, cotton price has increased from around US 141 cents per pound to US 221 cents per pound. Thereafter, the cotton price slump significantly from the peak to around US 112 cents per pound in a half year time, representing a decrease of approximately 50% as compared with the price in March 2011. The surging cotton price in early 2011 was mainly caused by the global shortage and poor harvest in Pakistan and India. Such price jump has driven up the price of knitted fabrics, hence increase the sale amounts between the Group and the Crystal Group during the said period.

One of the major reasons contributes to the downwards adjustment of cotton price in the recent months is the negative impacts carried out by European financial crisis on the expected demand for textiles in the Eurozones, which in turn, causes cotton yarn price to drop accordingly. Looking ahead, the global economic outlook is full of uncertainties, especially in the Europe and the United States. It is expected that the cotton price will remain volatile and fluctuate in the coming year.

(c) *Increasing costs of production*

During the financial year of 2011, the on-going appreciation of the Renminbi has created upward price pressure to raw materials and costs of production. We noted that Renminbi has appreciated by around 4.4% against Hong Kong dollars since January 2011. According to the Half-Yearly Monetary and Financial Stability Report issued by Hong Kong Monetary Authority in September 2011, it is expected that Renminbi would further appreciate by around 5% annually in the coming two years. The upsurge of production costs triggered by the appreciation of Renminbi would increase the pressure on the Company to raise its average selling price, which in turn, increases the overall sales amount to the Crystal Group as well.

Given the historical fluctuation in sale amounts to the Crystal Group and the price volatility of cotton in 2011 as discussed, it appears to be difficult for the Company to make an accurate estimation on future sales. However, base on the above analysis, the CAGR of the historical sales between the Group and the Crystal Group during the five financial years ending 31 March 2012 is approximately 45%. Comparing to the growth rate of the Existing Annual Caps of approximately 35%, the CAGR of the historical sales is significantly higher. Therefore having higher Proposed Annual Caps for the coming financial years is necessary such that the Company can produce and supply its products with flexibilities and to lower the chance of further revision on the annual caps in the future. Moreover, taking a close look on the PRC market, we realized that there was a solid growth of 24.8% on domestic retail sales of apparel products in the PRC during the first three quarters in 2011, outpacing the growth in the total retail consumption of 17%, according to the statistics released by the National Bureau of Statistics of China. It is expected that the improving living standard amongst the mainlanders will continue to lead to a greater demand of fine high-quality apparel products which could enhance the sales of the Group in the PRC market. Taking into account the strong CAGR of the historical sales, increasing costs of production and the potential business growth of the Group in the PRC market, we are of the view that it is reasonable and necessary for the management to post a larger percentage growth on the Proposed Annual Caps of the three financial years ending 31 March 2014.

LETTER OF ADVICE FROM KARL THOMSON

RECOMMENDATION

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

- (i) the stable and long-term relationship between the Group and the Crystal Group;
- (ii) the pricing terms and the payment terms offered to the Crystal Group and the independent third party customers are similar;
- (iii) historical fluctuation in sales amounts to the Crystal Group;
- (iv) the strong CAGR of the historical sales between the Group and the Crystal Group;
- (v) the expected increase in costs of production driven by the appreciation in Renminbi;
- (vi) the unpredictable cotton price; and
- (vii) sizes of the proposed annual caps for the Continuing Connected Transactions are determined by logical calculations with reasonable bases;

we consider that the terms of the Continuing Connected Transactions contemplated by the New Master Agreement and the size of the Proposed Annual Caps are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable; and in the interests of the Company and its Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution in relation to the New Master Agreement and the proposed annual caps for the Continuing Connected Transactions to be proposed at the EGM and we also advise the same to the Independent Shareholders.

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

APPENDIX GENERAL INFORMATION

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

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 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 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 Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares

Name of Director/ Chief Executive	Number of issued Shares held and nature of interest					Total	Approximate percentage of issued share capital of the Company
	Personal interests	Family interests	Corporate interests	Trust interests			
Choi Kin Chung	—	—	—	171,102,000 <i>(Note 1)</i>		171,102,000	11.94%
Ip Ping Im	—	2,000,000	403,394,000 <i>(Note 2)</i>	—		405,394,000	28.29%
Lam Hing Chau Leon	100,000	—	—	—		100,000	0.01%
Lam King Man	697,000 <i>(Note 3)</i>	—	30,000,000 <i>(Note 4)</i>	—		30,697,000	2.14%
Lam Wing Tak	14,541,000	1,087,000	—	100,000,000 <i>(Note 5)</i>		115,628,000	8.07%
Lau Yiu Tong	51,866,000	—	—	—		51,866,000	3.62%
Tsang Kang Po	1,988,000	2,501,000	100,000,000 <i>(Note 6)</i>	—		104,489,000	7.29%
Wan Wai Loi	14,768,000	820,000	—	101,304,000 <i>(Note 7)</i>		116,892,000	8.16%

APPENDIX GENERAL INFORMATION

Notes:

1. These Shares are directly held by Silver Bay International Holdings Limited, whose issued share capital is wholly-owned by Fiducia Suisse SA, the trustee of the Cypress Pacific Trust, a discretionary trust. For the purposes of the SFO, Mr. Choi Kin Chung is the founder of the Cypress Pacific Trust. None of the Directors or proposed Directors is a director or employee of Silver Bay International Holdings Limited or Fiducia Suisse SA.
2. These Shares are directly held by Far East Asia Limited, whose issued share capital is wholly-owned by Mr. Ip Ping Im. None of the Directors or proposed Directors is a director or employee of Far East Asia Limited.
3. These Shares are held jointly by Dr. Lam King Man and the spouse of Dr. Lam King Man.
4. These Shares 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.
5. These Shares are directly held by Fifth Element Enterprises Limited, whose issued share capital is wholly-owned by BLWT Company Limited. The issued share capital of BLWT Company Limited is wholly-owned by HSBC International Trustee Limited, the trustee of the family trust of Mr. Lam Wing Tak. For the purpose of the SFO, Mr. Lam Wing Tak is the founder of the family trust. Mr. Lam Wing Tak is a director of Fifth Element Enterprises Limited.
6. These Shares 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. Mr. Tsang Kang Po is a director of Top Strong Holdings Limited.
7. These Shares are directly held by Hollywood Pacific Limited, whose issued share capital is 50% owned by Mr. Wan Wai Loi and 50% owned by WWL Assets Limited. The issued share capital of WWL Assets Limited is wholly-owned by HSBC International Trustee Limited, the trustee of the family trust of Mr. Wan Wai Loi. For the purpose of the SFO, Mr. Wan Wai Loi is the founder of the family trust. Mr. Wan Wai Loi is a director of Hollywood Pacific Limited.

Long positions in Share Options

Name of Director	Date of Grant	Exercise Price HK\$	Number of Share Options as at the 01/04/2011	Exercisable Period	Number of Share Options as at the Latest Practicable Date
Lam Hing Chau, Leon	18/07/2007	5.04	600,000	18/07/2010 - 17/07/2017	600,000

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 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 Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

APPENDIX GENERAL INFORMATION

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the shares and 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.

3. VOTING ARRANGEMENTS

Pursuant to the article 90 of 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.

Pursuant to the Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting of the Company must be taken by way of poll. The Chairman of the meeting will therefore demand a poll for every resolution put to the vote of the EGM in accordance with article 90 of the Articles. The results of the poll will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.pacific-textiles.com).

4. 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 2011, the date to which the latest published audited financial statements of the Company were made up.

5. 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)).

APPENDIX GENERAL INFORMATION

6. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors of the Company and its subsidiaries and their respective associates had any interest in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. OTHER INTEREST

As at the Latest Practicable Date, no Director was materially interested in the Transaction and they have not abstained from voting on the board resolution.

As at the Latest Practicable Date, none of the Directors or proposed Directors had any direct or indirect interest in any assets which had been, since 31 March 2011, the date to which the latest published audited accounts of the Company 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.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given an opinion or advice contained in this circular:

Name	Qualification
Karl Thomson	a corporation licensed under the SFO to carry on type 6 (advising on corporate finance) regulated activities under the SFO

Karl Thomson has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advice as set out in this circular and references 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, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any interest, either directly or indirectly, in any assets which had been since 31 March 2011 (being the date to which the latest published audited financial statements of the Company were made up) acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

The letter of advice from Karl Thomson is given as at the date of this circular for incorporation herein.

APPENDIX GENERAL INFORMATION

9. GENERAL

The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

10. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection 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 during normal business hours on any day other than a Saturday, Sunday and a public holiday in Hong Kong from the date of this circular up to and including the date of the EGM.

- (a) the Master Agreement; and
- (b) the New 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: 01382)

NOTICE IS HEREBY GIVEN that an 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 Friday, 6 January 2012 at 10:00 a.m. for the following purposes of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

1. “THAT:

- (a) the New Master Agreement (as defined in the circular to the shareholders of the Company dated 16 December 2011 (the “**Circular**”), the transactions contemplated thereunder and the proposed annual caps for each of three years ending 31 March 2014 as set out in the Circular be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company (“**Director**”) be and is hereby authorized to do all actions and to sign, execute and deliver all such agreements, deeds and documents for and on behalf of the Company as such Director may in his discretion consider necessary or desirable for the purpose of giving effect to the transactions contemplated under New Master Agreement and the proposed annual caps for the transactions, the implementation or the exercise or enforcement of any of the rights and performance of any of the obligations thereunder.”

By order of the Board of Directors
Lam Hing Chau, Leon
Company Secretary

Hong Kong, 16 December 2011

* *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 48 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 inconsistency, the English version shall prevail.