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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)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE SALE OF FABRICS TO THE TORAY GROUP

Reference is made to the announcement of the Company dated 30 March 2021 in relation to the continuing connected transactions and the relevant annual caps for the transactions contemplated under the Existing Master Agreement with the Toray Group, which will expire on 31 March 2024.

In order to renew the continuing connected transactions under the Existing Master Agreement and to continue the business relationships between the Toray Group and the Group, on 22 March 2024, the Company and Toray entered into the Master Agreement in relation to the sale of fabrics manufactured or owned by the Group to the Toray Group for a term of three years commencing from 1 April 2024 and ending on 31 March 2027. The transactions under the Master Agreement 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.

As at the date of this announcement, Toray is a substantial shareholder of the Company, holding approximately 28.98% of the issued share capital of the Company, and hence is a connected person of the Company. Accordingly, the transactions contemplated under the Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual caps for each of the three years ending 31 March 2027 for the transactions contemplated under the Master Agreement exceed 0.1% but all the applicable percentage ratios are less than 5%, the transactions contemplated under the Master Agreement and the proposed annual caps for such transactions are subject to the reporting, annual review and announcement requirements but are exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE MASTER AGREEMENT

Reference is made to the announcement of the Company dated 30 March 2021 in relation to the continuing connected transactions and the relevant annual caps for the transactions contemplated under the Existing Master Agreement with the Toray Group, which will expire on 31 March 2024.

In order to renew the continuing connected transactions under the Existing Master Agreement and to continue the business relationships between the Toray Group and the Group, on 22 March 2024, the Company and Toray entered into the Master Agreement in relation to the sale of fabrics manufactured or owned by the Group to the Toray Group. The principal terms of the Master Agreement are set out below:

Date	22 March 2024
Parties	(i) the Company; and (ii) Toray

Nature of transactions	Pursuant to the Master Agreement, the Group and the Toray Group shall enter into the transactions relating to the sale of fabrics manufactured or owned by the Group to the Toray Group. The sale shall be conducted 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. The purchase orders will set out, among other things, the type of the fabrics, specifications, quantity, price, payment terms, delivery date, and shipping terms, etc..
Term and termination	The term of the Master Agreement commences on 1 April 2024 and continues until 31 March 2027, which 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. The Master Agreement may be terminated at any time by either party after giving three months' prior written notice to the other party.
Pricing policy	<p>The prices for the fabrics 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, based on the standard price of fabrics of the Group.</p> <p>The standard price of fabrics of the Group is determined by reference to the Group's cost of raw materials, knitting method and technique required for the fabrics, specifications of products (including elasticity, colors, etc.) and other relevant production costs. The final price for each transaction may be negotiated based on further detailed product requirements or specifications, quantity, weight, lead time, prevailing market conditions etc. subject to the incorporation of a reasonable profit margin.</p>
Payment Terms	The relevant member of the Group will issue an invoice to the relevant member of the Toray Group on or after delivery of the Products, and payment shall be made in accordance with the terms of the purchase order.

HISTORICAL TRANSACTION AMOUNTS

The historical amounts of aggregate sales of fabrics from the Group to the Toray Group for each of the two years ended 31 March 2023 and for the eleven months ended 29 February 2024 under the Existing Master Agreement are set out below:

	For the year ended 31 March		For the eleven months ended 29 February
	2022	2023	2024
	HK\$	HK\$	HK\$
Approximate historical sales amount	35.0 million <i>(audited)</i>	31.3 million <i>(audited)</i>	28.5 million <i>(as per the Group's unaudited management account)</i>

ANNUAL CAPS

The annual caps for the transactions contemplated under the Master Agreement shall be HK\$70 million for each of the three years ending 31 March 2027. The annual caps have been determined by the Board with reference to: (i) the average of historical sales amount of fabrics from the Group to the Toray Group for the two years ended 31 March 2023 and the eleven months ended 29

February 2024; (ii) the overall business environment and the global economic outlook; and (iii) the potential steady growth rate on the sale of fabrics from the Group to the Toray Group for the three years ending 31 March 2027, based on the expected economic recovery and projected business growth generated from the increase in the Group's overall production capacity as a result of the commencement of production of the Group's new factory in Vietnam being expected in the second quarter in 2024 to meet the overall demand of the Group's customers for fabrics. In addition, certain buffers have been incorporated to allow for the increase in sales volume and increase in price of products as anticipated by the management of the Company.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Members of Toray have been customers of the Group's fabrics since October 2018. The aggregate sales of fabrics manufactured or owned by the Group to the Toray Group amounted to approximately 0.6%, 0.6% and 0.7%^(Note 1) of the Group's total sales of fabrics for each of the two years ended 31 March 2023 and for the eleven months ended 29 February 2024. The Company believes that the entering into of the Master Agreement will enable the Group to maintain with the potential to expand its business portfolio and to achieve a stable source of income on sale of fabrics, and the Directors consider that it is in the interests of the Company and the Shareholders as a whole for the Group to continue the transactions under the Existing Master Agreement. The Company believes that the entering into of the Master Agreement will enable the Group to continue to leverage its business relationship with the Toray Group and to maintain a large and diverse customer base which the Group has been benefiting from over the years.

The terms of the Master Agreement have been arrived at after arm's length negotiations between the parties. The Directors (including the independent non-executive Directors) are of the view that the terms of the Master Agreement and the transactions contemplated thereunder (including the annual caps) are fair and reasonable, and that the transactions under the Master Agreement will be on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

The Company has established the following internal control measures to ensure that the transactions entered into under the Master Agreement will be conducted in accordance with the pricing policies of the Group and on normal commercial terms or better:

- (a) the managers overseeing the sales and marketing of fabrics monitor the market conditions and selling prices of fabrics to different customers on a regular basis to ensure the prices for the fabrics to be sold to the Toray Group will reflect the pricing policies of the Group;
- (b) the management of the Company will discuss and assess the terms and conditions and the pricing mechanism of the transactions contemplated under the Master Agreement on a regular basis to ensure that they are on normal commercial terms or better;
- (c) the finance department of the Company reviews monthly the transactions entered into under the Master Agreement and submits such information for the Board's review, including but not limited to the historical transaction amount, to ensure that the relevant transactions are carried out in accordance with the terms of the Master Agreement as well as the pricing policy and will not exceed the respective annual caps;
- (d) the terms of the continuing connected transactions entered into under the Master Agreement are subject to review by the internal audit department of the Company every year; and
- (e) the auditors of the Company and the independent non-executive Directors will conduct annual review on the transactions entered into under the Master Agreement in accordance with the Listing Rules.

Note 1: This percentage was calculated based on the preliminary figures of the Group's unaudited management account for the eleven months ended 29 February 2024.

INFORMATION OF THE PARTIES

The Group is principally engaged in manufacturing and trading of textile products.

Toray is a company incorporated under the laws of Japan, the shares of which are listed on The Tokyo Stock Exchange in Japan (stock code: 3402). The Toray Group's principal businesses include fiber and textiles production and trading. It also engages in other businesses such as production of resins and chemicals, films, carbon fiber composite materials, water treatment and environment solution related products. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, there is no beneficial owner who ultimately owns or controls 10% or more of the total shares in Toray.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Toray is a substantial shareholder of the Company, holding approximately 28.98% of the issued share capital of the Company, and hence is a connected person of the Company. Accordingly, the transactions contemplated under the Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual caps for the three years ending 31 March 2027 for the transactions contemplated under the Master Agreement exceed 0.1% but all the applicable percentage ratios are less than 5%, the transactions contemplated under the Master Agreement and the annual caps for such transactions are subject to the reporting, annual review and announcement requirements but are exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the Master Agreement and the transactions contemplated thereunder, and none of the Directors has abstained from voting on the Board resolution(s) for considering and approving the same.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Pacific Textiles Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1382)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Master Agreement”	the master agreement dated 30 March 2021 entered into between the Company and Toray in relation to the sale of fabrics manufactured or owned by the Group to the Toray Group
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People's Republic of China

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the master agreement dated 22 March 2024 entered into between the Company and Toray in relation to the sale of fabrics manufactured or owned by the Group to the Toray Group
“Shares”	ordinary shares of HK\$0.001 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Toray”	Toray Industries, Inc., a company incorporated in Japan, the shares of which are listed on The Tokyo Stock Exchange in Japan (stock code: 3402), and a substantial shareholder of the Company
“Toray Group”	Toray and its subsidiaries
“%”	per cent

By order of the Board
Pacific Textiles Holdings Limited
MASARU OKUTOMI
Chairman & CEO

Hong Kong, 22 March 2024

As at the date of this announcement, the Executive Directors are Mr. Masaru OKUTOMI, Mr. TOU Kit Vai and Mr. Kyuichi FUKUMOTO; the Independent Non-executive Directors are Dr. CHAN Yue Kwong, Michael, Mr. NG Ching Wah, Mr. SZE Kwok Wing, Nigel and Ms. LING Chi Wo Teresa.

* *For identification purposes only*