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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 WITH THE TORAY GROUP

On 28 July 2017, the Company and Toray entered into the Master Agreement in relation to the sale of yarns manufactured or owned by the Toray Group to the Group. The Master Agreement provides that the sales are to be made 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 identity of the products, specifications, quantity, price, payment terms, delivery time, place of delivery and transfer of title. Transactions under the Master Agreement are subject to an annual cap of HK\$230 million for each of the three years ending 31 March 2020.

Toray is a substantial shareholder of the Company and hence a connected person of the Company. Accordingly, the transactions under the Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the asset ratio, revenue ratio and consideration ratio in respect of the annual cap under the Master Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Master Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement of the Company under Chapter 14A of the Listing Rules.

THE MASTER AGREEMENT

Date 28 July 2017

Parties (i) the Company

(ii) Toray

Continuing transactions Pursuant to the Master Agreement, the Group and the Toray Group shall enter into the transactions relating to the sale of yarns by the Toray Group to the Group. The sales are to be made 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 identity of the products, specifications, quantity, price, payment terms, delivery time, place of delivery, transfer of title and warranty period (if applicable).

Term and termination The term of the Master Agreement commences on 28 July 2017 and continues until 31 March 2020, 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.

Price determination The prices for Products will be determined among the respective parties from time to time on an arm's length basis and comparable to the prevailing market rates or rates similar to those offered by the Company or the other relevant member of the Group to independent third parties or, in the absence of which, similar to those offered by Toray or the other relevant member of the Toray Group to independent third parties.

Historical Transaction Amounts

For each of the years ended 31 March 2017, the aggregate sales of yarns from the Toray Group to the Group amounted to approximately HK\$93.14 million, HK\$161.73 million and HK\$192.84 million respectively.

Annual Caps

The annual cap for the transactions under the Master Agreement shall be HK\$230 million for each of the three years ending 31 March 2020. The annual cap takes into account: (i) the historical sales amount from the Toray Group to the Group for the three years ended 31 March 2017; and (ii) a growth rate of approximately 19.27% for the year ended 31 March 2017. In addition, certain buffers have been incorporated to allow for the increase in sales volume and increase in price of products.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

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

The Toray Group is principally engaged in garment trading and manufacturing.

Members of the Group have been customers of the Toray Group's yarns for approximately 16 years. The aggregate sales of yarns manufactured or owned by the Toray Group to the Group amounted to approximately 1.6%, 2.9% and 4% of the Group's cost of sales for each of the three years ended 31 March 2017. As such purchases from the Toray Group have represented an important source of supply 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 purchases.

BOARD CONFIRMATION

The Directors (including the independent non-executive Directors) are of the opinion that the continuing connected transactions with the Toray Group contemplated under the Master Agreement will be entered into: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms (on arm's length basis) or on terms no less favorable than those terms offered by the Toray Group to independent third party for similar products in its ordinary and usual course of business; and (iii) the terms of the Master Agreement and the annual caps are fair and reasonable. The Directors (including all the independent non-executive Directors) are also of the view that the continuing connected transactions and the proposed annual caps pursuant to the Master Agreement are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Toray is a substantial shareholder of the Company and hence a connected person of the Company. Accordingly, the transactions under the Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the asset ratio, the revenue ratio and consideration ratio in respect of the annual cap under the Master Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Master Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the transactions under the Master Agreement and is required to abstain from voting on the relevant resolution(s) in the Board meeting to approve the Master Agreement.

DEFINITIONS

“Board”	the board of Directors of the Company
“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)
“Directors”	the directors of the Company
“Master Agreement”	the master agreement dated 28 July 2017 entered into between the Company and Toray in relation to the sale of yarns by the Toray Group to the Group
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region

“Listing Rules”	The Rules Governing the Listing of the Securities on the Stock Exchange
“Products”	means yarns manufactured or owned by any member of Toray Group
“Shares”	ordinary shares of HK\$0.001 each in the share capital of the Company
“Shareholders”	holder of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Toray”	Toray Industries, Inc., a company incorporated in Japan, which holds approximately 28.03% shareholding of the Company, and hence a connected person of the Company for the purpose of the Listing Rules
“Toray Group”	Toray, together with its subsidiaries

On behalf of the Board
Pacific Textiles Holdings Limited
Wan Wai Loi
Chairman & CEO

Hong Kong, 28 July 2017

As at the date of this announcement, the executive Directors are Mr. WAN Wai Loi (Chairman & CEO), Mr. LAU Yiu Tong and Mr. TOU Kit Vai, the non-executive Directors are Mr. CHOI Kin Chung, Mr. IP Ping Im and Mr. TSANG Kang Po and the independent non-executive Directors are Dr. CHAN Yue Kwong, Michael, Mr. NG Ching Wah and Mr. SZE Kwok Wing, Nigel.