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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)**

**SUPPLEMENTAL ANNOUNCEMENT  
CONTINUING CONNECTED TRANSACTIONS  
RENEWAL OF ANNUAL CAPS IN RELATION TO SALE OF YARNS  
BY THE TORAY GROUP**

Reference is made to the announcement of Pacific Textiles Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 27 April 2020 (the “**Announcement**”) in relation to renewal of annual caps for transactions contemplated under the Master Agreement in respect of the sale of yarns manufactured or owned by the Toray Group to the Group. Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Announcement.

The Company would like to provide the Shareholders and potential investors of the Company with further information as follows:

**FURTHER INFORMATION IN RELATION TO THE MASTER AGREEMENT**

**Nature of 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 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 and specification of the yarns, quantity, weight, price, payment terms, delivery time, place and method of delivery, packing, testing requirements, etc..

**Term and termination**

The term of the renewed Master Agreement shall be from 1 April 2020 to 31 March 2023. The renewed Master Agreement may be terminated at any time by either party after giving three months’ prior written notice to the other party.

## **Pricing policy**

Under the Group's pricing policy, the procurement prices for yarns will be determined among the respective parties from time to time on an arm's length basis and comparable to the prevailing market rates, unless procurement of a specific type of raw materials is required upon the request of the Group's customers or end users and there is no alternate supplier due to the uniqueness or patenting nature of the raw materials.

Before entering into any transactions pursuant to the Master Agreement, based on the Group's pricing policy, the Group will obtain and compare at least three quotes from the Group's pool of suppliers for the same specification of yarns to ensure that the terms of the continuing connected transactions entered into under the Master Agreement are fair and reasonable and no less favourable than the terms offered to the Group from independent third parties.

## **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 sourcing of raw materials monitor the market conditions and procurement prices of yarns from different suppliers on a regular basis to ensure the prices for the yarns to be purchased from 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.

## **ANNUAL CAPS**

### **Original Annual Caps**

During the two years ended 31 March 2020, the Group's customers adjusted downward the production volume of thermal innerwear and reduced the purchase orders of cold resistant fabrics placed with the Group due to the warm winter. With such unanticipated drop in demand on the Group's cold resistant fabrics by the Group's customers, the Group's demand on yarns for manufacturing cold resistant fabrics was much lower than expected. As such, the Group's purchase amount of yarns from the Toray Group for the two years ended 31 March 2020 was much lower than the Original Annual Caps (HK\$230 million). In light of the global pandemic of COVID-19, the Group's overall procurement need on yarns for the year ended 31 March 2020 was further reduced.

### **New Annual Caps**

#### *Historical transaction amount*

While the New Annual Caps (HK\$230 million) have been determined with reference to the historical transaction amount relating to the sale of yarns by the Toray Group to the Group for the three years ended 31 March 2020, the Board has given much weight to the historical transaction amount of HK\$163 million for the year ended 31 March 2018 since the Group's demand on yarns for producing cold resistant fabrics for that year was closer to the Group's expectation and the Group's overall procurement need on yarns for that year was not affected by the global pandemic of COVID-19.

#### *Projected growth rate*

In determining the New Annual Caps, the Board has also taken into account the projected growth rate of the sale of yarns by the Toray Group to the Group for the three years ending 31 March 2023, based on the expected growth generated from (i) the Group's sales of fabrics for sportswear; and (ii) the increase in the Group's overall production capacity.

#### *The Group's sales of fabrics for sportswear*

The Group's sales generated from fabrics for sportswear for the year ended 31 March 2020 (based on the figures of the Group's unaudited management account) has grown by approximately HK\$100 million, representing an increment of 19.4%, as compared to that for the year ended 31 March 2019, due to the increasing demand from the Group's customers on such fabrics. To take advantage of this rising trend, with high quality production technique, the Group has been in commercial discussion with certain international sports brands to develop more business in the sportswear sector. The Board expects that with better product mix, i.e. a higher proportion of sales of fabrics for sportswear, the Group's sales of fabrics will grow progressively and its demand on yarns from various suppliers, including the Toray Group, for manufacturing fabrics will increase accordingly.

#### *Increase in the Group's overall production capacity*

The Group is planning to establish a production site in Vietnam to increase its overall production capacity. As disclosed in the Company's announcement dated 30 December 2019, the Company's subsidiary entered into an agreement in principle with a lessor in respect of the lease of a plot of land in Vietnam. It is expected that after the establishment of the production site, the Group's production capacity will increase and its demand on yarns from the Toray Group will increase correspondingly.

## **FURTHER INFORMATION OF THE TORAY GROUP**

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.

By order of the Board  
**Pacific Textiles Holdings Limited**  
**WAN Wai Loi**  
*Chairman & CEO*

Hong Kong, 6 May 2020

*As at the date of this announcement, the Executive Directors are Mr. WAN Wai Loi, Mr. Masaru OKUTOMI, Mr. TOU Kit Vai and Mr. Toshiya ISHII; the Non-executive Director is Mr. LAU Yiu Tong; and the Independent Non-executive Directors are Dr. CHAN Yue Kwong, Michael, Mr. NG Ching Wah, and Mr. SZE Kwok Wing, Nigel.*

\* *For identification purposes only.*