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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 YARNS BY THE TORAY GROUP**

Reference is made to the announcement of the Company dated 28 July 2017 in relation to the continuing connected transactions under the Existing Master Agreement and the announcements of the Company dated 27 April 2020 and 6 May 2020 in relation to the renewal of annual caps for the transactions contemplated under the Existing Master Agreement, which will expire on 31 March 2023.

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 30 March 2023, 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 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 for a term of three years commencing from 1 April 2023 and ending on 31 March 2026.

As at the date of this announcement, Toray is a substantial shareholder of the Company, holding approximately 28.78% 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 proposed annual caps for the three years ending 31 March 2026 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 28 July 2017 in relation to the continuing connected transactions under the Existing Master Agreement and the announcements of the Company dated 27 April 2020 and 6 May 2020 in relation to the renewal of annual caps for the transactions contemplated under the Existing Master Agreement, which will expire on 31 March 2023.

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 30 March 2023, 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 principal terms of the Master Agreement are set out below:

Date	30 March 2023
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 yarns manufactured or owned by the Toray Group to the 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 and specification of the yarns, quantity, price, payment terms, delivery date, and shipping terms, etc..
Term and termination	The term of the Master Agreement commences on 1 April 2023 and continues until 31 March 2026, 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 yarns will be determined among the 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.</p> <p>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.</p>

## HISTORICAL TRANSACTION AMOUNTS

The historical amounts of aggregate sales of yarns by the Toray Group to the Group for each of the two years ended 31 March 2022 and for the eleven months ended 28 February 2023 under the Existing Master Agreement are set out below:

	For the year ended 31 March		For the eleven months ended 28 February
	2021	2022	2023
	HK\$	HK\$	HK\$
Approximate historical sales amount	128.8 million <i>(audited)</i>	70.7 million <i>(audited)</i>	10.8 million <i>(as per the Group's unaudited management account)</i>

## PROPOSED ANNUAL CAPS

It is proposed that the annual caps for the transactions contemplated under the Master Agreement shall be HK\$100 million for each of the three years ending 31 March 2026. The proposed annual caps have been determined by the Board with reference to: (i) the average of historical sales amount of yarns by the Toray

Group to the Group for the two years ended 31 March 2022 and the eleven months ended 28 February 2023; and (ii) the overall business environment and the global economic outlook.

While the proposed annual caps for the three years ending 31 March 2026 of HK\$100 million have been determined with reference to the historical transaction amounts relating to the sale of yarns by the Toray Group to the Group for the two years ended 31 March 2022 and the eleven months ended 28 February 2023, the Board has given much weight to the historical transaction amounts of approximately HK\$128.8 million and HK\$70.7 million for 2021 and 2022 respectively since the Group's overall purchase of yarns for that two periods were closer to the Group's expectation of the coming years when effect of the global pandemic of COVID-19 has faded out.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

Members of the Group have been customers of the Toray Group for yarns over the past 22 years. The aggregate sales of yarns manufactured or owned by the Toray Group to the Group amounted to approximately 4.5 %, 2.1 % and 0.4 % <sup>(Note 1)</sup> of the Group's total purchase of yarns for each of the two years ended 31 March 2022 and for the eleven months ended 28 February 2023. Toray is one of the key producer of functional synthetic fabrics with stable quality and certain of its innovative yarns are highly demanded by many textiles mill. As such, purchases of yarns from the Toray Group have represented an important and stable source of supply which the Group has been benefited 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 proposed annual caps) are fair and reasonable, on normal commercial terms, 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 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

*Note 1: This percentage was calculated based on the preliminary figures of the Group's unaudited management account for the eleven months ended 28 February 2023.*

Rules.

## **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 28.78% 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 proposed annual caps for the three years ending 31 March 2026 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.

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 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
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the master agreement dated 30 March 2023 entered into between the Company and Toray in relation to the sale of yarns manufactured or owned by the Toray Group to the Group
“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“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
“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). It is a substantial shareholder of the Company, holding approximately 28.78% of the issued share capital of the Company as at the date of this announcement
“Toray Group”	Toray and its subsidiaries
“%”	per cent

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

Hong Kong, 30 March 2023

*As at the date of this announcement, the Executive Directors are Mr. Masaru OKUTOMI, Mr. TOU Kit Vai and Mr. Kyuichi FUKUMOTO; 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, Mr. SZE Kwok Wing, Nigel and Ms. LING Chi Wo Teresa.*

\* *For identification purposes only*