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# BEST PACIFIC

## Best Pacific International Holdings Limited

超盈國際控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2111)**

### **(1) DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF 51% OF THE ENTIRE ISSUED SHARE CAPITAL OF TRISCHEL FABRIC (PRIVATE) LIMITED**

### **(2) POTENTIAL CONTINUING CONNECTED TRANSACTION IN RELATION TO THE FRAMEWORK AGREEMENT**

**AND**

### **(3) POTENTIAL CONTINUING CONNECTED TRANSACTIONS PURSUANT TO RULE 14A.60(1) OF THE LISTING RULES**

#### **THE ACQUISITION**

The Board is pleased to announce that on 4 December 2017 (after trading hours), BPSL (Thulhiriya), an indirect wholly-owned subsidiary of the Company, the JV Partner and the JV Company entered into the JV Agreement, pursuant to which (i) BPSL (Thulhiriya) has conditionally agreed to purchase and acquire from the JV Partner, and the JV Partner has conditionally agreed to sell and transfer to BPSL (Thulhiriya), the Sale Shares at the Consideration; and (ii) BPSL (Thulhiriya) and the JV Partner agreed to, amongst other things, regulate the ownership, funding and management of the JV Company on the terms and conditions as set out in the JV Agreement. As at the date of this announcement, the JV Company is owned as to 100% by the JV Partner. Upon completion of the Acquisition, the JV Company will be held as to 51% by BPSL (Thulhiriya) and as to 49% by the JV Partner.

#### **THE FRAMEWORK AGREEMENT**

Upon completion of the Acquisition, the JV Company will be held as to 51% by BPSL (Thulhiriya) and as to 49% by the JV Partner. Accordingly, members of the MAS Group (including the JV Partner) will become connected persons of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules.

The BPTHL Group currently sells, and will continue to sell, the Products to the MAS Group. Such transactions between the BPTHL Group and the MAS Group will, upon completion of the Acquisition, become continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Against this background, simultaneous with the execution of the JV Agreement, BPTHL and the JV Partner entered into the Framework Agreement for a term of three years commencing on the Effective Date in respect of such transactions. BPTHL and the JV Partner may mutually agree in writing no less than three months prior to the expiration of the term of the Framework Agreement to renew the Framework Agreement on the same terms and conditions for a further term of three years, subject to compliance with the then applicable requirements of the Listing Rules and provided that the Annual Caps mentioned in the Framework Agreement may be adjusted at the request of BPTHL and by mutual agreement between BPTHL and the JV Partner.

## **LISTING RULES IMPLICATIONS**

### **The JV Agreement**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition contemplated under the JV Agreement exceeds 5% and all of them are less than 25%, the entering into of the JV Agreement constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

### **The Framework Agreement**

Upon completion of the Acquisition, the JV Company will be held as to 51% by BPSL (Thulhiriya) and as to 49% by the JV Partner. Accordingly, members of the MAS Group (including the JV Partner) will become connected persons of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules and the transactions contemplated under the Framework Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As (i) the Board has approved the Framework Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the Framework Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Framework Agreement is subject to the reporting, announcement and annual review requirements, but is exempted from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

### **The CCT Agreements and the Arrangements**

Further, upon completion of the Acquisition, each of MAS Fabric Park, MAS Fabrics, MAS Innovations and MAS Legato, all being direct or indirect wholly-owned subsidiaries of MAS Holdings, the direct holding company of the JV Partner, will also become a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules.

Prior to the date of execution of the JV Agreement, (i) MAS Fabric Park entered into three agreements with the JV Company, namely (1) the Sub-Lease Agreement regarding the sub-letting of the Land by MAS Fabric Park to the JV Company; (2) the Services Agreement regarding the provision of certain utility services by MAS Fabric Park to the JV Company; (3) the MOU regarding the provision of services in relation to a biomass thermic oil heater by MAS Fabric Park to the JV Company; (ii) the JV Partner entered into the Master Services Agreement with the JV Company for the JV Partner to provide assistance services and advice in relation to the operation of the JV Company; and (iii) the JV Company has made the Arrangements with three subsidiaries of MAS Holdings, namely, MAS Fabrics, MAS Innovations and MAS Legato, respectively, pursuant to which MAS Fabrics, MAS Innovations and MAS Legato shall provide the Shared Services to the JV Company. If the Company is of the view that the Arrangements are necessary for the operations of the JV Group after the completion of the Acquisition, the JV Company (or any member of the Company) will, on or prior to completion of the Acquisition, enter into written agreements with each of MAS Fabrics, MAS Innovations and MAS Legato with respect to the Arrangements.

Upon completion of the Acquisition, the transactions contemplated under the above CCT Agreements and the Arrangements will become continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.60(1) of the Listing Rules, the Company is required to comply with the annual review and disclosure requirements under Chapter 14A of the Listing Rules regarding the continuing connected transactions under the CCT Agreements and the Arrangements. The Company will comply in full with all applicable requirements under Chapter 14A of the Listing Rules upon variation or renewal of any of the CCT Agreements and the Arrangements.

## **THE ACQUISITION**

The Board is pleased to announce that on 4 December 2017 (after trading hours), BPSL (Thulhiriya), an indirect wholly-owned subsidiary of the Company, the JV Partner and the JV Company entered into the JV Agreement, pursuant to which (i) BPSL (Thulhiriya) has conditionally agreed to purchase and acquire from the JV Partner, and the JV Partner has conditionally agreed to sell and transfer to BPSL (Thulhiriya), the Sale Shares at the Consideration; and (ii) BPSL (Thulhiriya) and the JV Partner agreed to, amongst other things, regulate the ownership, funding and management of the JV Company on the terms and conditions as set out in the JV Agreement. As at the date of this announcement, the JV Company is owned as to 100% by the JV Partner. Upon completion of the Acquisition, the JV Company will be held as to 51% by BPSL (Thulhiriya) and as to 49% by the JV Partner.

The principal terms of the JV Agreement are set out below:

## **THE JV AGREEMENT**

Date: 4 December 2017

Parties: (i) BPSL (Thulhiriya)

(ii) JV Partner

(iii) JV Company

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, the JV Partner, the JV Company and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

### **Assets to be acquired**

The Sale Shares, representing 51% of the total issued share capital of the JV Company, shall be acquired free from all encumbrances and third party rights together with all rights and benefits accrued thereto as at the Completion Date.

### **Consideration**

The Consideration shall equal to 51% of the NAV of the JV Company as at the Completion Date to be determined in accordance with the Closing Accounts, which shall in any event be no more than US\$50,000,000 (equivalent to approximately HK\$390,000,000).

BPSL (Thulhiriya) shall inform the JV Partner no less than 30 Business Days prior to Completion Date of its intention to make payment of the Estimated Consideration (as defined below) and the transfer of the Sale Shares on such date. The JV Partner shall, no less than 15 Business Days prior to the Completion Date, deliver to BPSL (Thulhiriya) a written statement setting forth in reasonable details of the JV Partner's good faith calculation of 51% of the estimated NAV of the JV Company as at the Completion Date, which shall in any event be no more than US\$50,000,000 (the "**Estimated Consideration**"). BPSL (Thulhiriya) shall pay to the JV Partner the full amount of the Estimated Consideration in cash on the Completion Date. The JV Partner shall, as soon as practicable after the Completion Date but in any event no more than 60 days after the Completion Date, deliver to BPSL (Thulhiriya) the Closing Accounts. If the Estimated Consideration is greater than the Final Consideration, the JV Partner shall refund the difference between the Estimated Consideration and the Final Consideration to BPSL (Thulhiriya) within 5 Business Days after the date of receipt of the Closing Accounts by BPSL (Thulhiriya). If the Final Consideration is greater than the Estimated Consideration, BPSL (Thulhiriya) shall pay the difference between the Final Consideration and the Estimated Consideration in cash to the JV Partner within 5 Business Days after the date of receipt of the Closing Accounts by BPSL (Thulhiriya), provided that the total Consideration to be paid by BPSL (Thulhiriya) shall in any event be no more than US\$50,000,000 (equivalent to approximately HK\$390,000,000).

The consideration for the Acquisition was determined after arm's length negotiations between BPSL (Thulhiriya) and the JV Partner having taken into account the financial information of the JV Company. The Acquisition will be funded by bank loans and the internal resources of the Group.

### **Conditions precedent**

Completion of the Acquisition is conditional upon and subject to, among others, the following conditions:

- (i) the transactions contemplated under the JV Agreement having complied with the applicable laws of relevant jurisdictions (including but not limited to Hong Kong and Sri Lanka), and the approvals, consents, clearance or waivers from all relevant governmental authorities (including but not limited to the approval from BOI) having been obtained, and where any such approvals, consents, clearance or waivers are subject to conditions, such conditions being acceptable to the absolute discretion of BPSL (Thulhiriya) and the JV Partner;
- (ii) the Company having obtained all necessary approvals, consents, clearance or waivers (if applicable) under the Listing Rules and any applicable laws from the regulatory authorities including the Stock Exchange and Securities and Futures Commission in Hong Kong in respect of the transactions contemplated under the JV Agreement, and where any such approvals, consents, clearance or waivers are subject to conditions, such conditions being acceptable to the absolute discretion of BPSL (Thulhiriya);
- (iii) all representations and warranties of BPSL (Thulhiriya) and the JV Partner under the JV Agreement remaining true and accurate in all material respects and not misleading in any respect as of the Completion Date;
- (iv) BPSL (Thulhiriya) and the JV Partner having performed and complied in all material respects with all agreements and obligations required by the JV Agreement to be performed or complied with by it prior to the Completion Date;
- (v) there being no material adverse change in the business or the financial conditions of the JV Company since the date of the JV Agreement;
- (vi) BPSL (Thulhiriya), the legal or other advisers of BPSL (Thulhiriya) having completed legal, financial, business, litigation and assets due diligence review of the JV Company and being satisfied with the results of such reviews in all respects;
- (vii) BPSL (Thulhiriya) having received and satisfied in its absolute discretion (in substance and form) a legal opinion issued by a firm of lawyers qualified to practise in Sri Lanka; and
- (viii) all other consents, approvals, authorisations and waivers as may be required or necessary under any instrument, contract, document or agreement to which the JV Partner or the JV Company is a party or by which the JV Partner's or the JV Company's assets are bound, for the Acquisition as contemplated under the JV Agreement or otherwise to give effect to the transactions contemplated under the JV Agreement having been obtained and where any such consents, approvals, authorisations or waivers are subject to conditions, such conditions being fulfilled to the satisfaction of BPSL (Thulhiriya) in its sole and absolute opinion.

The above conditions (i), (ii) and (viii) cannot be waived.

If any of the above conditions is not fulfilled or waived on or prior to the Completion Date, the Party for the benefit of whom the condition that is not fulfilled or waived may terminate the JV Agreement by giving written notice to the other Parties.

## **Completion**

Completion of the Acquisition shall take place on or before 1 August 2018 or any other date as may be agreed by BPSL (Thulhiriya) and the JV Partner in writing.

Upon completion of the Acquisition, the JV Company will be held as to 51% by BPSL (Thulhiriya) and as to 49% by the JV Partner. Accordingly, the JV Company will become a subsidiary of the Company and its accounts will be consolidated into the Group after completion.

## **Business of the JV Company**

The JV Company shall continue its existing businesses including, among others, the manufacture of warp and weft knitted fabric, and the importation of yarn and greige fabric and complementary accessories for dyeing and finishing for export.

## **Capital contribution**

All funding requirements of the JV Group shall be provided by either (i) commercial borrowings from financial institutions taken out by any member of the JV Group; or (ii) capital contribution and/or shareholders' loans (subject to prevailing exchange control regulations in Sri Lanka) by the shareholders of the JV Company in accordance with their shareholding percentage in the JV Company at that time.

## **Composition of the board of directors of the JV Company**

The board of directors of the JV Company will comprise of five directors. Upon completion of the Acquisition, three of the directors of the JV Company will be appointed by BPSL (Thulhiriya) and two of the directors of the JV Company will be appointed by the JV Partner. The chairman of the board of directors of the JV Company shall be nominated by BPSL (Thulhiriya).

## **Management of the JV Company**

Upon completion of the Acquisition, BPSL (Thulhiriya) shall be responsible for managing and operating the JV Company, provided that any decision of the board of directors of the JV Company in relation to (among others) the following matters shall be made with at least one of the nominated directors of each of BPSL (Thulhiriya) and the JV Partner voting in favour of such decision:

- (i) the provision of services by any shareholders of the JV Company or any of their respective group companies and any related party transactions including transactions where a director has an interest;
- (ii) any amendment to the articles of association of any company of the JV Group;
- (iii) any liquidation, sale, assignment or disposal of all or substantially all of the assets of any company of the JV Group;

- (iv) any assignment, transfer or licensing of intellectual property of any company of the JV Group, to any third party, or entering into agreements for the renewal or early termination of any intellectual property, or the renewal or termination of any patent, trademark or any other intellectual property rights;
- (v) increase, reduce, consolidate, sub-divide or convert any of the share capital of any company of the JV Group;
- (vi) the issue or agreement to issue any new shares of the JV Company, or grant any option over or right to acquire any additional shares of the JV Company or purchase or redeem any shares in the JV Company or create or grant any rights or interests convertible or exchangeable into any such shares or options;
- (vii) the giving of any guarantee or indemnity other than in favour of any company of the JV Group;
- (viii) any change to the number of the board of directors of the JV Company;
- (ix) any material change in the general nature of the business or to exit the current line of business;
- (x) pass any resolution the result of which would lead to the winding up, liquidation or receivership of any company of the JV Group, or make any composition or arrangement with the creditors of any company of the JV Group;
- (xi) the approval of any additional contributions to be made by shareholders of the JV Company by way of subscription of shares of the JV Company and/or shareholders' loans in the JV Company;
- (xii) the approval for any loan to be made by any shareholder of the JV Company on a non-interest bearing basis;
- (xiii) the approval for repayment of any shareholder's loan of the JV Company;
- (xiv) the appointment of a reputable firm of accountants as the auditors of the JV Company;
- (xv) any material change in the reporting method of financial results; and
- (xvi) the acquisition or disposal of shares or business in any company.

### **Non-competition undertakings**

Pursuant to the JV Agreement, each of BPSL (Thulhiriya) and the JV Partner has provided to the other and the JV Group certain non-competition undertakings, including, among others, that so long as BPSL (Thulhiriya) or the JV Partner (whichever the case maybe) holds any shares of the JV Company, and for two years after such Party ceases to hold any shares of the JV Company, such Party and its Affiliates will not directly or indirectly carry out or be engaged in any business which is the same as or similar to the business of the JV Group and that is or is likely to be in competition with the business of the JV Group, save and except for the investment by the Group in Best Pacific Textiles Lanka (Pvt) Ltd, the joint venture to be formulated pursuant to the agreement entered into by the Group on 6 November 2017, details of which please refer to the Company's announcement on 6 November 2017.

## Financial information on the JV Company

Set out below is the financial information of the JV Company extracted from its audit reports for the two financial years ended 31 December 2015 and 2016 and the five months ended 31 May 2017:

	<b>For year ended 31 December</b>	
	<b>2015</b>	<b>2016</b>
Loss before taxation	US\$5,224,000	US\$7,366,000
Loss after taxation	US\$5,340,000	US\$7,697,000
	<b>As at 31 December</b>	<b>As at 31 May</b>
	<b>2016</b>	<b>2017</b>
Total assets	US\$21,001,000	US\$22,693,000
Net assets	US\$2,010,000	US\$6,507,413

## THE FRAMEWORK AGREEMENT

Upon completion of the Acquisition, the JV Company will be held as to 51% by BPSL (Thulhiriya) and as to 49% by the JV Partner. Accordingly, members of the MAS Group (including the JV Partner) will become connected persons of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules.

The BPTHL Group currently sells, and will continue to sell, the Products to the MAS Group. Such transactions between the BPTHL Group and the MAS Group will, upon completion of the Acquisition, become continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Against this background, simultaneous with the execution of the JV Agreement, BPTHL and the JV Partner entered into the Framework Agreement in respect of such transactions. The principal terms of the Framework Agreement are set out below:

Date: 4 December 2017

Parties: (i) BPTHL

(ii) the JV Partner

## Subject matter and pricing basis

Pursuant to the Framework Agreement, the BPTHL Group has agreed to sell the Products to the MAS Group from time to time subject to and upon the terms and conditions contained in the purchase orders to be agreed between the relevant members of the BPTHL Group and the MAS Group, which shall set out, among other things, the Products to be supplied, specifications, quantity, price, delivery method and payment arrangement, provided that the terms shall be on normal commercial terms.

## Payment terms

The relevant member of the MAS Group shall pay to the relevant member of the BPTHL Group the total amount for each purchase order in the currency specified in the quotation issued by the relevant member of the BPTHL Group by cheque or by electronic transfer or by direct deposit of funds into such bank account specified by the relevant member of the BPTHL Group within the invoice period as may be agreed between the relevant parties.

## Most favoured fabric supplier

Pursuant to the Framework Agreement, the JV Partner agreed that the JV Company shall be its most favoured fabric supplier for garments manufactured by the JV Partner, provided that the JV Company is able to meet the price, quality, specifications and other requirements of the customers of the JV Partner.

## Term and termination

The Framework Agreement shall have a term of three years commencing on the Effective Date. BPTHL and the JV Partner may mutually agree in writing no less than three months prior to the expiration of the term of the Framework Agreement to renew the Framework Agreement on the same terms and conditions for a further term of three years, subject to compliance with the then applicable requirements of the Listing Rules and provided that the Annual Caps mentioned in the Framework Agreement may be adjusted at the request of BPTHL and by mutual agreement between BPTHL and the JV Partner.

## Historical transaction amounts

The aggregate annual amounts of sales of the Products by the BPTHL Group to the MAS Group for the three years ended 31 December 2014, 2015 and 2016 respectively are set out below:

	For the year ended 31 December		
	2014	2015	2016
Aggregate annual sales amount	HK\$189,480,000	HK\$231,530,000	HK\$317,280,000

## Annual Caps

Assuming the Completion Date falls on a date prior to 31 December 2017, the Annual Caps under the Framework Agreement for the financial years ending 31 December 2017, 2018, 2019 and 2020 respectively are set out below:

	For the year ending 31 December			
	2017 (from Effective Date to 31 December 2017)	2018 (from 1 January 2018 to 31 December 2018)	2019 (from 1 January 2019 to 31 December 2019)	2020 (from 1 January 2020 to 31 December 2020)
Annual Cap	US\$4,250,000 (equivalent to approximately HK\$33,150,000)	US\$57,000,000 (equivalent to approximately HK\$444,600,000)	US\$63,000,000 (equivalent to approximately HK\$491,400,000)	US\$70,000,000 (equivalent to approximately HK\$546,000,000)

The Annual Caps were determined based on (i) the historical sales amount of the Products by the BPTHL Group to the MAS Group for the last three financial years ended 31 December 2016 and (ii) a compound annual growth rate of approximately 14.53% for the five years from the financial year ended 31 December 2016 to the financial year ending 31 December 2020 which was based on the projected production capacities of the BPTHL Group and the projected demand from MAS Group. In addition, certain buffers have been incorporated to allow for the increases in the sales volume and/or selling prices of the Products as anticipated by the management of the Company.

### **Internal control and pricing policy**

In order to ensure that the terms of the Framework Agreement and the transactions contemplated thereunder are on normal commercial terms and not more favourable than those offered to independent customers in similar transactions, the Group has adopted the following measures:

1. the prices to be charged by the BPTHL Group in respect of the supply of the Products will be negotiated on arm's length basis which will be determined with reference to the market price of the Products and the operation costs incurred by the BPTHL Group for supplying the Products to the MAS Group under the Framework Agreement;
2. the Group will (i) supervise the specific transactions contemplated under the Framework Agreement through relevant personnel from the business department of the Group; (ii) conduct regular checks to review and assess whether the transactions between the BPTHL Group and the MAS Group are conducted in accordance with the terms of the Framework Agreement; and (iii) regularly update the market price of the Products for the purpose of considering if the selling prices of the Products charged by the BPTHL Group are fair and reasonable and in accordance with the aforesaid pricing policy;
3. the Group has an internal system to trace, monitor and evaluate the transaction amounts under the Framework Agreement regularly to ensure that the Annual Caps will not be exceeded; and
4. the Group will comply with the annual review requirements in respect of the transactions contemplated under the Framework Agreement in accordance with Chapter 14A of the Listing Rules, such as engaging the Company's auditor to conduct annual review and having the independent non-executive Directors to review the transactions contemplated under the Framework Agreement and give opinions/confirmation in the Company's annual reports.

By implementing the above measures, the Directors (including the independent non-executive Directors) consider that the Company has sufficient internal control and procedures to ensure that the selling prices of the Products to be supplied by the BPTHL Group to the MAS Group will be in accordance with the terms of the Framework Agreement, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **REASONS FOR AND BENEFITS OF THE JV AGREEMENT AND THE FRAMEWORK AGREEMENT**

With the steady growth in the lingerie market and the upsurge of the sportswear sector, the Group continues its dedication in penetrating the existing lingerie and sportswear markets and at the same time further expanding its sportswear and apparel customer portfolios.

MAS Holdings, the holding company of the JV Partner, is positioned as one of the world's most recognised design-to-delivery solution providers in the realm of apparel and textile manufacturing. It is also one of the largest apparel and textile manufacturer in South Asia. The organisation is headquartered in Sri Lanka with over 50 manufacturing facilities placed across more than 15 countries, with design locations placed in key style centers across the globe and over 90,000 people involved in its operation. The seamlessly integrated supply chain that is balanced to perfection with the organisations strategically placed design houses gives MAS Holdings the knowledge, the means and the speed to deliver what is demanded by the industry.

The nurturing of people, their passion and their ideas has evolved MAS Holdings from a business organisation to a global community which partners with some of the world's foremost brands in fashion and style that is timeless.

The Board is of the view that, the Group experienced increasing pressure from customers demanding shorter production lead time, higher product quality at competitive prices and other value-added services including faster product delivery. The Board believes that the strategic partnership with the JV Partner will allow the Group to leverage on the MAS Group's well-established presence and experience in Sri Lanka to facilitate the development of the JV Company. The entering into of the JV Agreement and the Framework Agreement, and the operation of the JV Company are, therefore, in line with the Company's development strategy.

The terms of each of the JV Agreement and the Framework Agreement are negotiated after arm's length negotiations between the respective parties thereto. The Directors (including the independent non-executive Directors) are of the view that the terms of each of the JV Agreement and the Framework Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

### **INFORMATION ON THE GROUP, BPSL (THULHIRIYA) AND BPTHL**

The Group is principally engaged in the manufacture and trading of elastic fabric, elastic webbing and lace.

BPSL (Thulhiriya), being an indirect wholly-owned subsidiary of the Company, is an investment holding company of the Group.

BPTHL, being a direct wholly-owned subsidiary of the Company, is an investment holding company of the Group.

## **INFORMATION ON THE JV PARTNER AND THE JV COMPANY**

The JV Partner is a company incorporated under the laws of Sri Lanka. It is a direct wholly-owned subsidiary of MAS Holdings and is one of the Group's current customers. As at the date hereof, the principal business activities of the MAS Group are to manufacture and export garments.

The JV Company is a company incorporated under the laws of Sri Lanka and as at the date of this announcement a direct wholly-owned subsidiary of the JV Partner. The principal business activities of the JV Company includes, amongst others, the manufacture of warp and weft knitted fabric, and the importation of yarn and greige fabric and complementary accessories for dyeing and finishing for export.

## **LISTING RULES IMPLICATIONS WITH RESPECT TO THE JV AGREEMENT AND THE FRAMEWORK AGREEMENT**

### **The JV Agreement**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition contemplated under the JV Agreement exceeds 5% and all of them are less than 25%, the entering into of the JV Agreement constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

### **The Framework Agreement**

Upon completion of the Acquisition, the JV Company will be held as to 51% by BPSL (Thulhiriya) and as to 49% by the JV Partner. Accordingly, members of the MAS Group (including the JV Partner) and the JV Partner will become connected persons of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules and the transactions contemplated under the Framework Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As (i) the Board has approved the Framework Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the Framework Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Framework Agreement is subject to the reporting, announcement and annual review requirements, but is exempted from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

No Director has any material interest in the Framework Agreement and the transactions contemplated thereunder and therefore, no Director has abstained from voting on the board resolutions approving the Framework Agreement and the transactions contemplated thereunder.

## THE CCT AGREEMENTS AND THE ARRANGEMENTS

Upon completion of the Acquisition, the JV Company will be held as to 51% by BPSL (Thulhiriya) and as to 49% by the JV Partner and the JV Partner will therefore become a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules.

Upon completion of the Acquisition, each of MAS Fabric Park, MAS Fabrics, MAS Innovations and MAS Legato, all being direct or indirect wholly-owned subsidiaries of MAS Holdings, the direct holding company of the JV Partner, will also become a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules.

Prior to the date of execution of the JV Agreement, MAS Fabric Park and the JV Partner entered into the CCT Agreements with the JV Company respectively. Besides, prior to the execution of the JV Agreement, the JV Company has entered into the Arrangements with MAS Fabrics, MAS Innovations and MAS Legato respectively, pursuant to which MAS Fabrics, MAS Innovations and MAS Legato shall provide the Shared Services to the JV Company. Principal terms of the CCT Agreements and details of the Arrangements are set out below.

### (1) The Sub-Lease Agreement

Date	:	22 December 2006
Parties	:	(i) MAS Fabric Park (ii) JV Company
Subject matter	:	MAS Fabric Park shall sub-lease the Land to the JV Company.
Term	:	98 years and 7 months commencing 22 December 2006 and ending 29 July 2105.
Rental	:	The initial ground rent was US\$29,218 (equivalent to approximately HK\$227,900) per annum as at signing of the Sub-Lease Agreement, which shall be adjusted annually in line with the ground rent charged or chargeable at other industrial zones as published by BOI and shall be paid on or before 22 December each year. The current ground rent is US\$38,902 (equivalent to approximately to HK\$303,436) per annum Based on the latest ground rent rate table published by BOI and by adding certain buffers, the expected maximum annual ground rent payable for the period from the Effective Date (assuming the Effective Date falls on a date prior to 31 December 2017) to 31 December 2017 shall be US\$3,500 (equivalent to approximately HK\$27,300), and that for the three years ending 31 December 2018, 2019 and 2020 shall be US\$47,000 (equivalent to approximately HK\$366,600), US\$57,000 (equivalent to approximately HK\$444,600) and US\$68,000 (equivalent to approximately HK\$530,400), respectively.

## (2) The Services Agreement

- Date : 22 December 2006
- Parties : (i) MAS Fabric Park  
(ii) JV Company
- Subject matter : MAS Fabric Park shall provide the JV Company with electricity, steam, water, effluent discharge and fire hydrant water supply.
- Term : The Services Agreement shall come into force and will be valid so long as the Sub-Lease Agreement remains valid and effective.
- Fees : The initial monthly base service charge payable by the JV Company to MAS Fabric Park was US\$5,000 (equivalent to approximately HK\$39,000) as at signing of the Services Agreement which shall be adjusted annually with reference to the LIBOR. The current monthly base service charge is US\$5,600 (equivalent to approximately HK\$43,680) in addition to the monthly base service charge, the JV Company shall also pay to MAS Fabric Park the utilities fees in amounts calculated with reference to the actual number of units or volume of use and a summary of the calculation of the fees payable by the JV Company to MAS Fabric Park is set out below:
- (a) Electricity: MAS Fabric Park shall supply (i) electricity to the Land chargeable at the rate published by the CEB from time to time; and (ii) standby electricity power at operational cost plus a minimal administrative charge, to the JV Company.
  - (b) Steam: MAS Fabric Park shall supply steam to the JV Company at the rate as determined by a formula set out in the Services Agreement taking into account the cost of price of fuel, water, electricity, cost of spares, cost of operation and maintenance and an administration fee charged by MAS Fabric Park. Such costs will be reviewed and if necessary are to be adjusted on a quarterly or annual basis. The JV Company shall indicate to MAS Fabric Park the projected steam demand at the beginning of each year and 50% of such projected steam demand shall constitute the minimum commitment to be paid by the JV Company regardless of actual consumption.

- (c) Water: MAS Fabric Park shall provide water to the JV Company chargeable at a rate determined according to an agreed pricing formula under the Services Agreement with reference to the rates charged by BOI for such service, which shall be reviewed and adjusted if necessary on a quarterly basis.
- (d) Effluent treatment: MAS Fabric Park shall provide effluent treatment services chargeable at a rate determined according to an agreed pricing formula under the Services Agreement with reference to LIBOR, CEB rates and chemical price of production, which shall be reviewed and if necessary adjusted on a quarterly basis.
- (e) Fire hydrant water supply: MAS Fabric Park shall provide three fire hydrants for which the JV Company shall pay 50% of the cost. Water supply will be chargeable at a rate of US cents 0.52 per cubic meter,

Based on the historical consumption and the projected production volume of the JV Company and adding certain buffers, the expected maximum amount payable under the Services Agreement for the period from the Effective Date (assuming the Effective Date falls on a date prior to 31 December 2017) to 31 December 2017 shall be US\$184,000 (equivalent to approximately HK\$1,435,200), and that for the three years ending 31 December 2018, 2019 and 2020 shall be US\$2,531,000 (equivalent to approximately HK\$19,741,800), US\$2,794,000 (equivalent to approximately HK\$21,793,200) and US\$3,495,000 (equivalent to approximately HK\$27,261,000), respectively.

**(3) The MOU**

Date : 15 July 2016

Parties : (i) MAS Fabric Park  
(ii) JV Company

Subject matter : The MAS Fabric Park shall provide installation, maintenance and operation services in relation to a biomass thermic oil heater. MAS Fabric Park shall bear the total cost of investment on purchasing and installation of the said heater.

Term : 10 years commencing from the 15 July 2016 and ending on the 14 July 2026.

Fees : MAS Fabric Park shall charge the JV Company at a rate determined according to the MOU for the energy consumed subject to review (and agreement between the parties to the MOU) annually in line with the percentage change in firewood prices and costs of labour, maintenance and electricity relating to the operation of the oil heater. MAS Fabric Park shall in addition to the above costs, charge a minimal administrative charge. Based on the historical consumption and the projected production volume of the JV Company and adding certain buffers, the expected maximum amount payable under the MOU for the period from the Effective Date (assuming the Effective Date falls on a date prior to 31 December 2017) to 31 December 2017 shall be US\$61,000 (equivalent to approximately HK\$475,800), and that for the three years ending 31 December 2018, 2019 and 2020 shall be US\$772,000 (equivalent to approximately HK\$6,021,600), US\$897,000 (equivalent to approximately HK\$6,996,000) and US\$1,127,000 (equivalent to approximately HK\$8,790,600), respectively.

**(4) The Master Services Agreement**

Date : 1 January 2017

Parties : (i) JV Partner  
(ii) JV Company

Subject matter : The JV Partner shall provide assistance and advice in relation to the operation of the JV Company, including legal, corporate finance, treasury, business strategy, risk and control, human resources, sustainability, corporate social responsibility, branding, information technology and consultancy services on implementation of lean systems.

Term : 1 January 2017 to 31 December 2019

Fees : The JV Partner shall charge the JV Company at a rate determined according to an agreed rate table as set out in the Master Services Agreement, subject to periodic review and adjustment as may be agreed by the JV Partner and the JV Company.

## (5) The Arrangements

- Parties : (i) MAS Fabrics
- (ii) MAS Innovations
- (iii) MAS Legato
- (iv) JV Company
- Subject matter :
- (i) MAS Fabrics shall provide centralised services to the JV Company in relation to operational finance, human resources, automation, sustainability, research and development and dyeing, which are specific to the JV Company's business of fabric manufacturing.
- (ii) MAS Innovations shall provide support and assistance to the JV Company in relation to internal research and external technology scouting with relevant consultancy and advisory support, as well as undertaking automation and innovation projects; and
- (iii) MAS Legato shall provide support and assistance to the JV Company in relation to the accounting processes;
- Fees : Each of MAS Fabrics, MAS Innovations and MAS Legato shall charge the JV Company a fee at rate determined in accordance with an agreed rate table, subject to periodic review and adjustment as may be agreed by MAS Fabrics, MAS Innovations and MAS Legato, as the case may be, and the JV Company.

Based on the expected business scale of the JV Company and adding certain buffers, the expected maximum amount payable under the Master Services Agreement and the Arrangements for the period from the Effective Date (assuming the Effective Date falls on a date prior to 31 December 2017) to 31 December 2017 shall be US\$69,000 (equivalent to approximately HK\$538,200), and that for the three years ending 31 December 2018, 2019 and 2020 shall be US\$2,611,000 (equivalent to approximately HK\$20,365,800), US\$3,381,000 (equivalent to approximately HK\$26,371,800) and US\$4,384,000 (equivalent to approximately HK\$34,195,200), respectively.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE CCT AGREEMENTS AND THE ARRANGEMENTS**

As advised by the JV Partner, the CCT Agreements and the Arrangements were entered into in the ordinary course of business of the JV Company necessary for its daily operation.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, (i) the terms of the Sub-Lease Agreement were reached on an arm's length basis with reference to similar properties in terms of size, lease term, location and the prevailing market conditions in the vicinity; and (ii) the fees payable by the JV Company to the MAS Fabric Park for the services provided to the JV Company under each of the Services Agreement and the MOU were determined after arm's length negotiations between the MAS Fabric Park and the JV Company with reference to the prevailing market rates and are at the same rates as MAS Fabric Park would otherwise charge an independent third party customer; and (iii) the fees payable by the JV Company to the JV Partner under the Master Services Agreement and to MAS Fabrics, MAS Innovations and MAS Legato under the Arrangements were determined after arm's length negotiations between the relevant parties and the JV Company with reference to the prevailing market rates and are at the same rates as the relevant parties would otherwise charge an independent third party customer.

The Directors (including the independent non-executive Directors) are of the view that each of the Sub-Lease Agreement, the Services Agreement, the MOU, the Master Services Agreement and the Arrangements was entered into in the ordinary course of business of the JV Group, on normal commercial terms fair and reasonable and in the interests of the Company and Shareholders as a whole.

## **LISTING RULES IMPLICATIONS WITH RESPECT TO THE CCT AGREEMENTS AND THE ARRANGEMENTS**

Upon completion of the Acquisition, the transactions contemplated under the CCT Agreements and the Arrangements will become continuing connected transactions for the Company under Chapter 14A of the Listing Rules. If the Company is of the view that the Arrangements are necessary for the operations of the JV Group after completion of the Acquisition, the JV Company (or any member of the Company) will, on or prior to completion of the Acquisition, enter into written agreements with each of MAS Fabrics, MAS innovations and MAS Legato with respect to the Arrangements. Pursuant to Rule 14A.60(1) of the Listing Rules, the Company is required to comply with the annual review and disclosure requirements under Chapter 14A of the Listing Rules regarding the continuing connected transactions under the CCT Agreements and the Arrangements. The Company will comply in full with all applicable requirements under Chapter 14A of the Listing Rules upon variation or renewal of any of the CCT Agreements or the Arrangements.

## DEFINITIONS

In this announcement, unless the context otherwise requires, capitalised terms used shall have the following meanings:

“Acquisition”	the sale and purchase of the Sale Shares
“Affiliates”	means any one or more business entities which, directly or indirectly, are controlling, controlled by, or under common control with either Party. For the purposes of this definition control shall mean the ownership of 33% or more of the share capital of a company or having management control of a company
“Annual Cap(s)”	the annual cap(s) for the transactions contemplated under the Framework Agreement for the financial years ending 31 December 2017, 2018, 2019 and/or 2020
“Arrangements”	the arrangements made between the JV Company on the one hand and MAS Fabrics, MAS Innovations and MAS Legato on the other hand for provision of Shared Services
“Board”	the board of Directors
“BOI”	Board of Investment of Sri Lanka, a governmental authority in Sri Lanka
“BPSL (Thulhiriya)”	Best Pacific International Sri Lanka (Thulhiriya) Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“BPTHL”	Best Pacific Textile Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“BPTHL Group”	BPTHL and its Affiliates from time to time
“Business Days”	means Monday to Friday except any day which is officially recognised as a public holiday in Sri Lanka
“CCT Agreements”	the Sub-Lease Agreement, the Services Agreement, the MOU and the Master Services Agreement
“CEB”	Ceylon Electricity Board, a body corporate established in Sri Lanka
“Closing Accounts”	the audited consolidated financial statements of the JV Company as at the Completion Date

“Company”	Best Pacific International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2111)
“Completion Date”	the date on which completion of the Acquisition takes place, which shall be on or before 1 August 2018 or any other date as BPSL (Thulhiriya) and the JV Partner may agree in writing
“Consideration”	the consideration for the Acquisition, being the Final Consideration
“Director(s)”	the director(s) of the Company (including the independent non-executive Directors) from time to time
“Effective Date”	the date on which the Framework Agreement becomes effective, being the Completion Date
“Estimated Consideration”	has the meaning as ascribed to this term under the paragraph headed “Consideration” in this announcement
“Final Consideration”	51% of the NAV of the JV Company as at the Completion Date as shown in the Closing Accounts
“Framework Agreement”	the framework agreement dated 4 December 2017 entered into between BPTHL and the JV Partner in relation to the supply of the Products by the BPTHL Group to the MAS 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
“JV Agreement”	the agreement dated 4 December 2017 entered into among BPSL (Thulhiriya), the JV Partner and the JV Company in relation to the sale and purchase of 51% of the total issued share capital of the JV Company and joint venture agreement in relation to the JV Company
“JV Company”	Trischel Fabric (Private) Limited, a company incorporated in Sri Lanka with limited liability
“JV Group”	the JV Company and its subsidiaries from time to time
“JV Partner”	MAS Capital (Private) Limited, a company incorporated in Sri Lanka with limited liability and a direct wholly-owned subsidiary of MAS Holdings

“Land”	the land named Modaramullawatta, Othuhena, Bogahayaya, Kurudiyawalahena, Ritigahayaya, Unapanduramulahena, Buwelewattapillewa, Illukgollawatta and Ambagahayaya situated in Nangalla and Thulhiriya Villages in the District of Kegalle, Sabaragamuwa Province, Sri Lanka with an approximate area of 3.37818 hectares
“LIBOR”	London Interbank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MAS Fabric Park”	MAS Fabric Park (Private) Limited, a company incorporated in Sri Lanka with limited liability and an indirect wholly-owned subsidiary of MAS Holdings
“MAS Fabrics”	MAS Fabrics (Pvt) Ltd, a company incorporated in Sri Lanka with limited liability and an indirect wholly-owned subsidiary of MAS Holdings
“MAS Group”	the JV Partner and its Affiliates (including MAS Holdings and its subsidiaries) from time to time
“MAS Holdings”	MAS Holdings (Pvt) Ltd, a company incorporated in Sri Lanka with limited liability and the holding company of the JV Partner
“MAS Innovations”	MAS Innovations (Pvt) Ltd, a company incorporated in Sri Lanka with limited liability and a direct wholly-owned subsidiary of MAS Holdings
“MAS Legato”	MAS Legato (Pvt) Ltd, a company incorporated in Sri Lanka with limited liability and an indirect wholly-owned subsidiary of MAS Holdings
“Master Services Agreement”	the master services agreement dated 1 January 2017 entered into between the JV Partner and the JV Company
“MOU”	the memorandum of understanding for services provided in relation to a biomass thermic oil heater dated 15 July 2016 entered into between MAS Fabric Park and the JV Company
“NAV”	net asset value
“Parties”	parties to the JV Agreement, being BPSL (Thulhiriya), the JV Partner and the JV Company, and “Party” shall mean any of them

“Products”	synthetic textiles and textile related products manufactured by the BPTHL Group from time to time which shall include synthetic fabrics
“Sale Shares”	ordinary shares in the JV Company to be sold by the JV Partner to BPSL (Thulhiriya) on the Completion Date, representing 51% of the total issued share capital of the JV Company
“Services Agreement”	the services agreement dated 22 December 2006 entered into between MAS Fabric Park and the JV Company
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the issued share capital of the Company
“Shared Services”	services set out under the paragraphs headed “5. The Arrangements” in the section headed “THE CCT AGREEMENTS AND THE ARRANGEMENTS” of this Announcement
“Shareholder(s)”	holder(s) of Shares
“Sri Lanka”	the Democratic Socialist Republic of Sri Lanka
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-Lease Agreement”	the sub-lease agreement dated 22 December 2006 entered into between MAS Fabric Park (as lessor) and the JV Company (as lessee) in relation to the sub-lease of the Land
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

*For illustration purpose only and unless otherwise stated, conversion of US\$ into HK\$ in this announcement is based on the exchange rate of US\$1 = HK\$7.8 and rounded to thousand. Such conversion should not be construed as a representation that any amount have been, could have been, or may be, exchanged at this or any other rate.*

By Order of the Board  
**Best Pacific International Holdings Limited**  
**Lu Yuguang**  
*Chairman and executive Director*

Hong Kong, 4 December 2017

*As at the date of this announcement, the Board comprises Mr. Lu Yuguang, Mr. Zhang Haitao, Mr. Wu Shaolun, Ms. Zheng Tingting, Mr. Cheung Yat Ming\*, Mr. Ding Baoshan\* and Mr. Sai Chun Yu\*.*

\* *Independent non-executive Director*