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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)

CONNECTED TRANSACTIONS – LEASE AGREEMENTS

The Lease Agreements

On 28 February 2025, Dongguan BPT (as lessee) entered into the Building A & B Lease Agreement and the Building C & D Lease Agreement with Chin Lee (as lessor), pursuant to which Chin Lee has agreed to lease Building A & B and Building C & D to Dongguan BPT for a term of three (3) years commencing on 28 February 2025 to 27 February 2028.

Implications under the Listing Rules

As at the date of this announcement, Dongguan BPT is an indirectly wholly-owned subsidiary of the Company. Chin Lee is wholly-owned by Mr. Lu. Hence, Chin Lee is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules, and the transaction contemplated under each of the Building A & B Lease Agreement and Building C & D Lease Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all conducted within a 12-month period or were otherwise related. The Existing Xinsha Lease Agreement and the Lease Agreements are of the similar nature and are entered into with Chin Lee within a 12-month period. Accordingly, such transactions shall be aggregated. Details of the Existing Xinsha Lease Agreement are disclosed in the announcement of the Company dated 30 September 2024.

As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the Lease Agreements on a standalone basis and upon aggregation with the Existing Xinsha Lease Agreement are more than 0.1% but less than 5%, the Lease Agreements are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE LEASE AGREEMENTS

On 28 February 2025, Dongguan BPT, an indirect wholly-owned subsidiary of the Company (as lessee) entered into the Building A & B Lease Agreement and the Building C & D Lease Agreement with Chin Lee (as lessor), a company wholly owned by Mr. Lu. The Lease Agreements will commence on 28 February 2025 for a term of three (3) years.

The major terms of the Lease Agreements are set out below:

1. THE BUILDING A & B LEASE AGREEMENT

Principal terms of the Building A & B Lease Agreement between Dongguan BPT and Chin Lee in relation to Building A & B are summarised below.

| | | |
|---------------------------------------|---|---|
| Date | : | 28 February 2025 |
| Parties | : | (i) Dongguan BPT, an indirect wholly-owned subsidiary of the Company (as lessee) (ii) Chin Lee (as lessor) |
| Location and size | : | Building A & B are two factory buildings located at Xinsha Port Industrial Park, Machong Town, Guangdong Province, the PRC, with a total leasing area of approximately 9,040 sq.m.. |
| Term | : | A lease term of three (3) years commencing on 28 February 2025 to 27 February 2028. |
| Use | : | Building A & B will be used as production plant and/or warehouses. |
| Rent, security deposit and prepayment | : | Under the Building A & B Lease Agreement, the monthly rent for the period from 28 February 2025 and up to 31 December 2025 shall be RMB328,152 (equivalent to approximately HK\$355,520), and the monthly rent for the financial year(s) ending 31 December 2026 and 2027 shall not exceed RMB344,424 and RMB361,600 respectively (equivalent to approximately HK\$373,149 and HK\$391,757 respectively), and the monthly rent for the period from 1 January 2028 and up to 27 February 2028 shall not exceed RMB379,680 (equivalent to approximately HK\$411,345). The monthly rent is determined with reference to the prevailing market rents for similar premises in the same or nearby areas or similar locations in the PRC, and the terms shall be on normal commercial terms and no less favourable to the Group than those available from Independent Third Parties. |

Dongguan BPT shall pay the rent of the previous month to Chin Lee in cash on or before the tenth (10) day of each calendar month.

Other charges : Dongguan BPT shall be responsible for the utility charges and insurance in respect of Building A & B.

Other terms and conditions : Three (3) months before the expiry of the Building A & B Lease Agreement, Dongguan BPT and Chin Lee shall engage in negotiations to determine whether to renew the lease of Building A & B.

Chin Lee has agreed to give priority to Dongguan BPT over other third parties for leasing Building A & B upon expiry of the Building A & B Lease Agreement.

2. THE BUILDING C & D LEASE AGREEMENT

Principal terms of the Building C & D Lease Agreement between Dongguan BPT and Chin Lee in relation to Building C & D are summarised below.

Date : 28 February 2025

Parties : (i) Dongguan BPT, an indirect wholly-owned subsidiary of the Company (as lessee)
(ii) Chin Lee (as lessor)

Location and size : Building C & D are two factory buildings located at Xinsha Port Industrial Park, Machong Town, Guangdong Province, the PRC, with a total leasing area of approximately 8,712.2 sq.m..

Term : A lease term of three (3) years commencing on 28 February 2025 to 27 February 2028.

Use : Building C & D will be used as production plant and/or warehouses.

Rent, security deposit and prepayment : Under the Building C & D Lease Agreement, the monthly rent for the period from 28 February 2025 and up to 31 December 2025 shall be RMB316,253 (equivalent to approximately HK\$342,629), and the monthly rent for the financial year(s) ending 31 December 2026 and 2027 shall not exceed RMB331,935 and RMB348,488 respectively (equivalent to approximately HK\$359,618 and HK\$377,552 respectively), and the monthly rent for the period from 1 January 2028 and up to 27 February 2028 shall not exceed RMB365,912 (equivalent to approximately HK\$396,429). The monthly rent is determined with reference to the prevailing market rents for similar premises in the same or nearby areas or similar locations in the PRC, and the terms shall be on normal commercial terms and no less favourable to the Group than those available from Independent Third Parties.

Dongguan BPT shall pay the rent of the previous month to Chin Lee in cash on or before the tenth (10) day of each calendar month.

Other charges : Dongguan BPT shall be responsible for the utility charges and insurance in respect of Building C & D.

Other terms and conditions : Three (3) months before the expiry of the Building C & D Lease Agreement, Dongguan BPT and Chin Lee shall engage in negotiations to determine whether to renew the lease of Building C & D.

Chin Lee has agreed to give priority to Dongguan BPT over other third parties for leasing Building C & D upon expiry of the Building C & D Lease Agreement.

BASIS FOR DETERMINATION OF THE RENTALS UNDER THE LEASE AGREEMENTS

The rentals under the Lease Agreements were determined after arm's length negotiations between the respective parties thereto and with reference to (i) the prevailing market rents for similar premises in the vicinity of the Properties, or similar locations in the PRC; (ii) the condition of the Properties, including but not limited to the location and the facilities associated therewith; (iii) the terms and conditions of the relevant lease agreement; and (iv) the historical trend and the expected increase in the rents in the PRC property market and inflation. Payment of the rents under the Lease Agreements will be funded by internal resources of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENTS

As a result of the business growth and increased production scale of the Group, the Group requires more space for production and warehouse uses. Having considered the proximity of the Properties to the production plants of Dongguan BPT, the Board is of the view that the leased Properties will facilitate the efficient movement of goods and materials and enable easy access to the production plants. To accommodate the operation of the Group, the Board took into consideration (i) the Group's continuing need for space for production and warehouse uses and (ii) the suitability of the Properties for use as the Group's production plants and warehouses. Therefore, Dongguan BPT entered into the Building A & B Lease Agreement and Building C & D Lease Agreement with Chin Lee for a term of three years to support the Group's operational needs.

Moreover, the Lease Agreements secure the amount of rent payable by Dongguan BPT over the medium term, thereby avoiding rental increase in accordance with the expected appreciation in the value of the leased properties.

In view of the above, the Directors (including the independent non-executive Directors) consider that the respective terms of the Lease Agreements are fair and reasonable, on normal commercial terms, and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

TOTAL ESTIMATED VALUES OF THE RIGHT-OF-USE ASSET IN RESPECT OF THE LEASE AGREEMENTS

Pursuant to HKFRS 16, the Group shall recognize a right-of-use asset in connection with the Lease Agreements. The right-of-use asset represents the Group's right to use the underlying leased Properties, namely Building A & B and Building C & D. Based on the information currently available to the Company, the total estimated value of the right-of-use asset in respect of the Building A & B Lease Agreement and Building C & D Lease Agreement is approximately RMB22,560,456 (equivalent to approximately HK\$24,441,998).

INFORMATION ON THE GROUP

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

Dongguan BPT, being an indirect wholly-owned subsidiary of the Company, is principally engaged in the manufacture and trading of elastic fabric and lace.

INFORMATION ON CHIN LEE

Chin Lee is principally engaged in property leasing.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Dongguan BPT is an indirectly wholly-owned subsidiary of the Company. Chin Lee is wholly-owned by Mr. Lu. Hence, Chin Lee is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules, and the transaction contemplated under each of the Building A & B Lease Agreement and Building C & D Lease Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all conducted within a 12-month period or were otherwise related. The Existing Xinsha Lease Agreement and the Lease Agreements are of the similar nature and are entered into with Chin Lee within a 12-month period. Accordingly, such transactions shall be aggregated. Details of the Existing Xinsha Lease Agreement are disclosed in the announcement of the Company dated 30 September 2024.

As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the Lease Agreements on a standalone basis and upon aggregation with the Existing Xinsha Lease Agreement are more than 0.1% but less than 5%, the Lease Agreements are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As each of Mr. Lu (the sole shareholder of Chin Lee), Mr. Wu (the brother-in-law of Mr. Lu and the uncle of Mr. Lu Libin) and Mr. Lu Libin (the son of Mr. Lu) has a material interest in the Lease Agreements, Mr. Lu, Mr. Wu and Mr. Lu Libin have abstained from voting on the Board resolutions in respect of the Lease Agreements and the transactions contemplated thereunder.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

| | |
|----------------------------------|---|
| “Board” | the board of Directors |
| “Building A & B” | two factory buildings with a total leasing area of approximately 9,040 sq.m., located at Xinsha Port Industrial Park, Machong Town, Guangdong Province, the PRC |
| “Building A & B Lease Agreement” | the lease agreement dated 28 February 2025 entered into between Chin Lee as lessor and Dongguan BPT as lessee in respect of Building A & B for a term of three (3) years commencing on 28 February 2025 to 27 February 2028 |
| “Building C & D” | two factory buildings with a total leasing area of approximately 8,712.2 sq.m., located at Xinsha Port Industrial Park, Machong Town, Guangdong Province, the PRC |

| | |
|-----------------------------------|--|
| “Building C & D Lease Agreement” | the lease agreement dated 28 February 2025 entered into between Chin Lee as lessor and Dongguan BPT as lessee in respect of Building C & D for a term of three (3) years commencing on 28 February 2025 to 27 February 2028 |
| “Chin Lee” | Chin Lee Steel Industry Company Limited^ (群力鋼鐵企業股份有限公司), a company incorporated in the PRC with limited liability and is wholly owned by Mr. Lu |
| “Company” | Best Pacific International Holdings Limited (Stock Code: 2111), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange |
| “connected persons” | has the meaning as ascribed to this term under the Listing Rules |
| “controlling shareholder” | has the meaning as ascribed to this term under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Dongguan BPT” | Dongguan Best Pacific Textile Company Limited^ (東莞超盈紡織有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| “Existing Xinsha Lease Agreement” | the lease agreement dated 30 September 2024 entered into between Chin Lee as lessor and Dongguan BPT as lessee in respect of a three-storey property with a total leasing area of approximately 2,992 sq.m., located at Xinsha Port Industrial Park, Machong Town, Dongguan City, the PRC, for a term of three (3) years commencing on 1 October 2024 to 30 September 2027 |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “HKFRS” | Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “Independent Third Parties” | persons or companies which is/are third parties independent of the Company and its connected persons |
| “Lease Agreements” | collectively, (i) the Building A & B Lease Agreement and (ii) the Building C & D Lease Agreement |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

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|-----------------------|---|
| “Mr. Lu” | Mr. Lu Yuguang, the Chairman, an executive Director and the controlling shareholder of the Company, holding the direct and indirect interests in 640,500,000 Shares, representing approximately 61.59% of the issued share capital of the Company |
| “Mr. Lu Libin” | Mr. Lu Libin, the chief strategy officer of the Group, an executive Director and the son of Mr. Lu |
| “Mr. Wu” | Mr. Wu Shaolun, an executive Director and the brother-in-law of Mr. Lu |
| “percentage ratio(s)” | has the meaning as ascribed to this term under the Listing Rules |
| “PRC” | the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan |
| “Properties” | collectively, (i) Building A & B and (ii) Building C & D |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shares” | ordinary shares of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “sq.m.” | square metres |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “%” | per cent |

For illustration purpose only and unless otherwise stated, conversion of RMB into HK\$ in this announcement is based on the exchange rate of RMB1.00 to HK\$1.0834. Such conversion should not be construed as a representation that any amount has been, could have been or may be exchanged at this or at any other rate.

By Order of the Board
Best Pacific International Holdings Limited
Chan Yiu Sing
*Executive Director, Chief Financial Officer and
Company Secretary*

Hong Kong, 28 February 2025

As at the date of this announcement, the Board comprises Mr. Lu Yuguang, Mr. Zhang Haitao, Mr. Wu Shaolun, Ms. Zheng Tingting, Mr. Chan Yiu Sing, Mr. Lu Libin, Mr. Cheung Yat Ming, Mr. Kuo Dah Chih, Stanford* and Mr. Lam Yin Shing, Donald*.*

* *Independent non-executive Director*

^ *For identification purposes only*