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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 TRANSACTION

MEMORANDUM OF UNDERSTANDING IN RELATION TO THE PROPOSED ACQUISITION

The Proposed Acquisition

The Board is pleased to announce that on 8 January 2020, the JV Company (a non-wholly owned subsidiary of the Company) entered into the legally binding MOU with Textprint, pursuant to which the JV Company has conditionally agreed to purchase and Textprint has conditionally agreed to sell the Assets at a consideration of no more than US\$4 million (equivalent to approximately HK\$31.2 million).

Implications under the Listing Rules

As at the date of this announcement, Textprint is an indirect wholly-owned subsidiary of MAS Holdings, which is the holding company of the JV Partner and indirectly holds 49% of the issued share capital of the JV Company. Accordingly, Textprint is a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules, and the transaction contemplated under the MOU constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Based on the maximum estimated consideration of US\$4 million (equivalent to approximately HK\$31.2 million) under the MOU, one or more of the applicable percentage ratios in respect of the Proposed Acquisition contemplated under the MOU exceeds 1% but all of them are less than 5%. Accordingly, the Proposed Acquisition is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Board would like to emphasise that although the MOU is legally binding, the Proposed Acquisition is subject to fulfilment of a number of conditions (more details below), including, without limitation, the entering into of the Assets Sale and Purchase Agreement. Accordingly, the Proposed Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

THE PROPOSED ACQUISITION

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THE MOU

Principal terms of the MOU are summarised below.

Date

8 January 2020

Parties

- (i) JV Company (as buyer)
- (ii) Textprint (as seller)

Asset(s) to be purchased

The Assets proposed to be purchased by the JV Company from Textprint under the MOU mainly consist of printing machines, washing machines, boilers, steamers, fabric inspection machines, dryers and other equipment for printing synthetic fabrics and the associated finishing processes.

Pursuant to the MOU, the JV Company will have the sole discretion to decide and select the Asset(s) to be purchased from Textprint, after site visits and examination of the Asset(s) conducted by the JV Company.

Consideration

Pursuant to the MOU, the estimated consideration for acquisition of all of the Assets is no more than US\$4 million (equivalent to approximately HK\$31.2 million), which was determined after arm's length negotiations between the Parties with reference to, among other things, the total net book value of the Assets as at 30 November 2019 of approximately US\$3.5 million (equivalent to approximately HK\$27.3 million) and the market value of similar equipment. Based on the management accounts of Textprint for the eleven months ended 30 November 2019, the total original acquisition cost of the Assets is approximately US\$11.1 million (equivalent to approximately HK\$86.6 million).

The final consideration will be determined with reference to the Asset(s) actually purchased by the JV Company and shall be based on the total net book value of such Assets as at Completion Date.

The consideration will be payable by the JV Company to Textprint upon completion of the Proposed Acquisition and will be funded by internal resources of the Group.

Conditions precedent

The Proposed Acquisition is subject to fulfilment (unless otherwise waived, if appropriate) of the following conditions precedent by the Conditions Fulfillment Date:

- (a) the JV Company making site visits to the business premises of Textprint and being satisfied with the Assets that they are in good condition after careful examination of the Assets;
- (b) the JV Company being satisfied that Textprint has obtained all requisite approvals and licenses for the operation of the Assets and such approvals and licenses remain valid and subsisting;
- (c) the Parties shall in good faith negotiate and have finalised the terms and conditions of the Assets Sale and Purchase Agreement (more details below);
- (d) the Parties obtaining the relevant approvals of their respective board of directors and shareholders (where necessary) authorising the entering into of the MOU and the Proposed Acquisition;
- (e) the Parties obtaining necessary approvals from the BOI and other regulatory or any other approvals as may be required for completion of the Proposed Acquisition.

Entering into of the Assets Sale and Purchase Agreement and completion

Pursuant to the MOU, the Parties shall enter into the Assets Sale and Purchase Agreement on the Completion Date, which shall contain, among other things, the actual Asset(s) to be purchased, the final consideration, the representations and warranties, and other customary provisions.

Subject to fulfillment of the conditions precedent under the MOU, completion of the Proposed Acquisition shall take place on the Completion Date.

Termination of the MOU

The MOU shall come into effect upon the signing date and will remain in force until the execution of the Assets Sale and Purchase Agreement, at which time the MOU shall be superseded by the Assets Sale and Purchase Agreement and be terminated automatically.

Without prejudice to the foregoing, the MOU shall be terminated upon occurrence of any of the following events:

- (a) either of the Parties failing to comply with its obligations under the MOU;
- (b) the conditions precedents cannot be satisfied in full by the Conditions Fulfillment Date;
- (c) upon mutual agreement of the Parties of its termination; or

- (d) an order is made or an effective resolution is passed for the winding up, insolvency, administration, re-organisation, reconstruction, dissolution or bankruptcy of either of the Parties or for the appointment of a liquidator, receiver, administrator, trustee or similar officer of either of the Parties or of all or any part of its business or assets or if either of the Parties is declared or becomes bankrupt or insolvent, or if a creditor takes possession of all or any part of the business or assets of either of the Parties or any execution or other legal process is enforced against the business or any substantial assets of either of the Parties concerned and is not discharged within 30 days.

REASONS FOR ENTERING INTO THE MOU

In view of the principal activities of Textprint, including fabric printing and associated finishing processes, the JV Company considers that the Proposed Acquisition, if proceed to completion, will enhance its capability on fabric printing and further comprehend the product categories offered by the JV Company, thereby giving added-value to its customers. After considering the assets Textprint currently owns, as well as the market price of similar machines and equipment, the JV Company entered into the MOU with Textprint in order to purchase such assets from Textprint, subject to the abovementioned conditions precedent.

The terms of the MOU were determined after arm's length negotiations between the Parties. The Directors (including the independent non-executive Directors) consider that the terms of the MOU 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 AND THE JV COMPANY

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

The JV Company is an indirect non-wholly owned subsidiary of the Company principally engaged in 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.

INFORMATION ON TEXTPRINT

Textprint is a company incorporated under the laws of Sri Lanka with limited liability and an indirect wholly-owned subsidiary of MAS Holdings. As at the date hereof, Textprint is principally engaged in fabric printing.

CONNECTED RELATIONSHIP AND IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Textprint is an indirect wholly-owned subsidiary of MAS Holdings, which is the holding company of the JV Partner and indirectly holds 49% of the issued share capital of the JV Company. Accordingly, Textprint is a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules, and the transaction contemplated under the MOU constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Based on the maximum estimated consideration of US\$4 million (equivalent to approximately HK\$31.2 million) under the MOU, one or more of the applicable percentage ratios in respect of the Proposed Acquisition contemplated under the MOU exceeds 1% but all of them are less than 5%. Accordingly, the Proposed Acquisition is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

To avoid any potential conflict of interests, Mr. Zhang Haitao, being a director of the Company and the JV Company, has abstained from voting on the resolution of the Board approving the MOU and the transaction contemplated thereunder.

The Board would like to emphasise that although the MOU is legally binding, the Proposed Acquisition is subject to fulfilment of a number of conditions (more details above), including, without limitation, the entering into of the Assets Sale and Purchase Agreement. Accordingly, the Proposed Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Asset(s)”	any or all of the asset(s) to be acquired by the JV Company from Textprint pursuant to the MOU (and subject to the terms and conditions of the Assets Sale and Purchase Agreement)
“Assets Sale and Purchase Agreement”	the formal and definitive agreement for the sale and purchase of the Asset(s) to be entered into between the Parties pursuant to the MOU
“Board”	the board of Directors
“BOI”	Board of Investment of Sri Lanka, a governmental authority in Sri Lanka
“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
“Completion Date”	any date not later than 1 January 2021 or any other date as may be mutually agreed by the Parties
“Conditions Fulfillment Date”	any date not later than 1 January 2021 and to be mutually agreed by the Parties
“connected person(s)”	has the meaning as ascribed to this term under the Listing Rules
“Director(s)”	the director(s) of the Company

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“JV Company”	Trischel Fabric (Private) Limited, a company incorporated in Sri Lanka with limited liability and an indirect non-wholly owned subsidiary of the Company
“JV Partner”	MAS Capital (Private) Limited, a company incorporated in Sri Lanka with limited liability and a direct wholly-owned subsidiary of MAS Holdings, holding 49% shareholding in the JV Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MAS Holdings”	MAS Holdings (Private) Limited, a company incorporated in Sri Lanka with limited liability and the holding company of the JV Partner, which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is held under a trust by the name of Jacey Trust Services (Private) Limited as trustee
“MOU”	the legally binding memorandum of understanding dated 8 January 2020 entered into between the Parties in relation to the Proposed Acquisition
“Parties”	the JV Company and Textprint
“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
“Proposed Acquisition”	the proposed acquisition of any or all of the Assets under the MOU (and subject to the terms and conditions of the Assets Sale and Purchase Agreement)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Sri Lanka”	the Democratic Socialist Republic of Sri Lanka
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Textprint”	Textprint Lanka (Private) Limited, a company incorporated in Sri Lanka with limited liability and an indirect wholly-owned subsidiary of MAS Holdings
“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\$1.00 = HK\$7.80 and rounded to thousand. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rates.

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

Hong Kong, 8 January 2020

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*