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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)

VARIATION OF TERMS AND REVISION OF THE ANNUAL CAPS FOR THE SALES AGREEMENT BETWEEN DONGGUAN BPT, DONGGUAN NHE AND DONGGUAN PF

Entering into Supplemental Agreement and Revision of the Annual Caps

Reference is made to the Announcement in relation to, among other things, the Sales Agreement between Dongguan BPT (or any company of the Group designated by Dongguan BPT) and Dongguan NHE (or any company of the Group designated by Dongguan NHE) (as suppliers) and Dongguan PF (as purchaser) in relation to the sale of elastic fabric, elastic webbing, lace, printing and embroidery for a term of three years commencing from 4 May 2019 to 3 May 2022.

In view of the more-than-expected sales of the products by Dongguan BPT and Dongguan NHE to Dongguan PF and to allow greater flexibility to cater for the parties' business needs, the Board is pleased to announce that on 30 June 2021, Dongguan BPT, Dongguan NHE, and Dongguan PF entered into the Supplemental Agreement, pursuant to which (i) Dongguan PF may designate any company of the Dongguan PF Group to purchase elastic fabric, lace, printing and embroidery from Dongguan BPT (or any company of the Group designated by Dongguan BPT) and elastic webbing from Dongguan NHE (or any company of the Group designated by Dongguan NHE) and (ii) the 2021 Annual Cap and 2022 Annual Cap were revised to RMB110 million (equivalent to approximately HK\$132.0 million) and RMB50 million (equivalent to approximately HK\$60.0 million) respectively.

Save for the amendments to the Sales Agreement under the Supplemental Agreement as abovementioned, all other terms of the Sales Agreement remain unchanged.

Implications under the Listing Rules

As at the date of this announcement, Dongguan PF is owned as to 40% by Mrs. Lu (the spouse of Mr. Lu, the sister of Mr. Wu and the mother of Mr. Lu Libin), 40% by Ms. Zheng (an executive Director and the spouse of Mr. Zhang), 10% by Mr. Wu Junjie (the son of Mr. Wu) and 10% by Mr. Lu Canping (the nephew of Mr. Lu), respectively. Accordingly, Dongguan PF is an associate of each of Mr. Lu, Mr. Zhang, Mr. Wu, Ms. Zheng and Mr. Lu Libin and therefore is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules, and the transaction contemplated under the Sales Agreement (as amended by the Supplemental Agreement) constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54(1) of the Listing Rules, the Company shall re-comply with the announcement and independent shareholders' approval requirements (as applicable) upon any change to the Annual Caps for the Sales Agreement.

As the applicable percentage ratios (other than the profits ratio) in respect of the Supplemental Agreement are more than 0.1% but less than 5%, the transaction contemplated under the Supplemental Agreement is subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the Announcement.

THE SUPPLEMENTAL AGREEMENT AND REVISION OF THE ANNUAL CAPS

Pursuant to the Sales Agreement, Dongguan BPT (or any company of the Group designated by Dongguan BPT) shall supply elastic fabric, lace, printing and embroidery and Dongguan NHE (or any company of the Group designated by Dongguan NHE) shall supply elastic webbing to Dongguan PF for a term of three years commencing from 4 May 2019 to 3 May 2022.

In view of the more-than-expected sales of the products by Dongguan BPT and Dongguan NHE to Dongguan PF and to allow greater flexibility to cater for the parties' business needs, the Board is pleased to announce that on 30 June 2021, Dongguan BPT, Dongguan NHE, and Dongguan PF entered into the Supplemental Agreement, pursuant to which (i) Dongguan PF may designate any company of the Dongguan PF Group to purchase elastic fabric, lace, printing and embroidery from Dongguan BPT (or any company of the Group designated by Dongguan BPT) and elastic webbing from Dongguan NHE (or any company of the Group designated by Dongguan NHE) and (ii) the 2021 Annual Cap and 2022 Annual Cap were revised as below:

2021 Annual Cap	RMB110 million (equivalent to approximately HK\$132.0 million)
2022 Annual Cap	RMB50 million (equivalent to approximately HK\$60.0 million)

Save for the amendments to the Sales Agreement under the Supplemental Agreement as abovementioned, all other terms of the Sales Agreement remain unchanged. For principal terms of the Sales Agreement, please refer to the section headed "The Sales Agreement" on pages 2 to 3 of the Announcement.

HISTORICAL TRANSACTION AMOUNTS AND THE ANNUAL CAPS FOR THE SALES AGREEMENT AND THE SUPPLEMENTAL AGREEMENT

	For the financial year ended 31 December 2019	For the financial year ended 31 December 2020	For the financial year ending 31 December 2021	For the financial year ending 31 December 2022
Historical transaction amounts	RMB19,852,295 (audited)	RMB42,564,786 (audited)	For the 5 months ended 31 May 2021: RMB41,907,796 (unaudited)	Not applicable
Original annual caps under the Sales Agreement	RMB20 million (equivalent to approximately HK\$23,200,000)	RMB45 million (equivalent to approximately HK\$52,200,000)	RMB60 million (equivalent to approximately HK\$69,600,000)	RMB30 million (equivalent to approximately HK\$34,800,000)
New annual caps under the Supplemental Agreement	Not applicable	Not applicable	RMB110 million (equivalent to approximately HK\$132.0 million)	RMB50 million (equivalent to approximately HK\$60.0 million)

The 2021 Annual Cap and 2022 Annual Cap were determined based on (i) the historical transaction amounts of the sales of the goods by Dongguan BPT and Dongguan NHE to Dongguan PF under the Sales Agreement for the financial years ended 31 December 2019 and 2020 and the 5 months ended 31 May 2021; (ii) the original Annual Caps for the transactions contemplated under the Framework Agreement; (iii) the potential business growth of Dongguan PF Group; (iv) the potential transactions amount for sales of goods to Dongguan PF Group and the corresponding increase in demand for the goods.

Based on the information available to the Company as at the date of this announcement, the original Annual Cap for the year ending 31 December 2021 for the Sales Agreement has not yet been exceeded.

PRICING POLICY AND INTERNAL CONTROL MEASURES

As a general principle and pursuant to the Sales Agreement, the pricing of the goods to be supplied to Dongguan PF Group shall be no more favourable than the price offered by the Group to Independent Third Parties, and the transactions contemplated under the Sales Agreement (as amended by the Supplemental Agreement) shall be on normal commercial terms.

In order to safeguard the interests of the Company and the Shareholders as a whole, the Company has adopted the following measures to monitor the transactions contemplated under the Sales Agreement (as amended by the Supplemental Agreement) and to ensure that the transactions are conducted in accordance with the Sales Agreement (as amended by the Supplemental Agreement):-

- (a) The sales departments of the Group have maintained the sales record, consisting of selling price and terms, for the goods provided by them.
- (b) Upon request of a quotation by Dongguan PF Group, the sales department will deliberate a quotation (or a range), which shall be determined with reference to the sales record of the same and similar goods provided and within the selling price ranges as agreed under the Sales Agreement, and propose the same to the management for consideration.
- (c) The management will negotiate with Dongguan PF Group to agree on the final price for the goods to be provided after taking into account of various factors including but not limited to the orders accepted by the Group, the stock in storage of the Group, the sales performance of the Group and the market conditions from time to time.
- (d) The Group has an internal audit system to trace, monitor and evaluate the transaction amounts under the Sales Agreement (as amended by the Supplemental Agreement) on a monthly basis to ensure that the Annual Caps will not be exceeded.
- (e) The Group will comply with the annual review requirements in respect of the transactions contemplated under the Sales Agreement (as amended by the Supplemental 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 which and give opinions/ confirmations 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 pricing basis for the goods to be supplied by the Group to Dongguan PF Group under the Sales Agreement (as amended by the Supplemental Agreement) will be in accordance with the terms under the agreements, on normal commercial terms, fair and reasonable to the Company and Shareholders as a whole.

REASONS FOR ENTERING INTO THE SUPPLEMENTAL AGREEMENT

In view of the more-than-expected sales of the goods by the Group to Dongguan PF Group and to allow greater flexibility to cater for the parties' business needs, the Board expects that the original annual caps of RMB60 million and RMB30 million for the years ending 31 December 2021 and 2022 respectively for the transactions contemplated under the Sales Agreement will not be sufficient and proposes the same to be revised. As such, Dongguan BPT, Dongguan NHE, and Dongguan PF entered into the Supplemental Agreement pursuant to which (i) Dongguan PF may designate any company of the Dongguan PF Group to purchase elastic fabric, lace, printing and embroidery from Dongguan BPT (or any company of the Group designated by Dongguan BPT) and elastic webbing from Dongguan NHE (or any company of the Group designated by Dongguan NHE) and (ii) the 2021 Annual Cap and 2022 Annual Cap were revised. Save for terms as amended under the Supplemental Agreement, all other terms of the Framework Agreement remain unchanged.

The terms of the Supplemental Agreement (including the new Annual Caps) were determined after arm's length negotiations between the parties thereto. The Directors (including the independent non-executive Directors) consider that the terms of the Supplemental Agreement (including the new Annual Caps) 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 DONGGUAN PF

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.

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

Dongguan PF is principally engaged in the manufacture and selling of apparels.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Dongguan PF is owned as to 40% by Mrs. Lu (the spouse of Mr. Lu, the sister of Mr. Wu and the mother of Mr. Lu Libin), 40% by Ms. Zheng (an executive Director and the spouse of Mr. Zhang), 10% by Mr. Wu Junjie (the son of Mr. Wu) and 10% by Mr. Lu Canping (the nephew of Mr. Lu), respectively. Accordingly, Dongguan PF is an associate of each of Mr. Lu, Mr. Zhang, Mr. Wu, Ms. Zheng and Mr. Lu Libin and therefore is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules, and the transaction contemplated under the Sales Agreement (as amended by the Supplemental Agreement) constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54(1) of the Listing Rules, the Company shall re-comply with the announcement and independent shareholders' approval requirements (as applicable) upon any change to the Annual Caps for the Sales Agreement.

As the applicable percentage ratios (other than the profits ratio) in respect of the Supplemental Agreement are more than 0.1% but less than 5%, the transaction contemplated under the Supplemental Agreement is subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As each of Mr. Lu (the spouse of Mrs. Lu and uncle of Mr. Lu Canping), Mr. Zhang (the spouse of Ms. Zheng), Mr. Wu (the father of Mr. Wu Junjie and brother of Mrs. Lu), Ms. Zheng (a shareholder of Dongguan PF and the spouse of Mr. Zhang) and Mr. Lu Libin (the son of Mrs. Lu) has a material interest in the Sales Agreement, Mr. Lu, Mr. Zhang, Mr. Wu, Ms. Zheng and Mr. Lu Libin have abstained from voting on the board resolutions approving the Sales Agreement (as amended by the Supplemental Agreement) and the transaction contemplated thereunder.

DEFINITIONS

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

“2021 Annual Cap”	the annual cap for the transactions contemplated under the Sales Agreement (as amended under the Supplemental Agreement) for the financial year ending 31 December 2021
“2022 Annual Cap”	the annual cap for the transactions contemplated under the Sales Agreement (as amended under the Supplemental Agreement) for the financial year ending 31 December 2022
“Announcement”	the announcement of the Company dated 3 May 2019
“associate(s)”	has the meaning as ascribed to this term under the Listing Rules
“Annual Cap(s)”	the annual cap(s) for the transactions contemplated under the Sales Agreement
“Board”	the board of Directors
“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 person(s)”	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
“Dongguan NHE”	Dongguan New Horizon Elastic Fabric Company Limited [^] (東莞潤信彈性織物有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Dongguan PF”	Dongguan Premium Fashion Company Limited [^] (東莞市質品服飾有限公司), a company incorporated in the PRC with limited liability and is owned as to 40% by Mrs. Lu, 40% by Ms. Zheng, 10% by Mr. Wu Junjie (the son of Mr. Wu) and 10% by Mr. Lu Canping (the nephew of Mr. Lu) respectively
“Dongguan PF Group”	Dongguan PF and its associates from time to time
“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
“Independent Third Party(ies)”	person(s) or company(ies) which is/are third party(ies) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 and an executive Director
“Mr. Wu”	Mr. Wu Shaolun, an executive Director
“Mr. Zhang”	Mr. Zhang Haitao, the chief executive officer of the Group and an executive Director
“Mrs. Lu”	Ms. Wu Wanxiong, the spouse of Mr. Lu and sister of Mr. Wu
“Ms. Zheng”	Ms. Zheng Tingting, the chief operating officer of the Group, an executive Director and the spouse of Mr. Zhang

“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
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Sales Agreement”	the agreement dated 3 May 2019 entered into between Dongguan BPT and Dongguan NHE (as suppliers) and Dongguan PF (as purchaser) in relation to sales of elastic fabric, elastic webbing, lace, printing and embroidery by Dongguan BPT and Dongguan NHE respectively to Dongguan PF for a term of three years commencing from 4 May 2019 to 3 May 2022, as amended by the Supplemental 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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 30 June 2021 entered into between Dongguan BPT and Dongguan NHE (as suppliers) and Dongguan PF (as purchaser) in relation to the variation of terms and revision of the 2021 Annual Cap and 2022 Annual Cap under the Sales Agreement

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\$1.2002. 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
Lu Yuguang
Chairman and executive Director

Hong Kong, 30 June 2021

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. Ding Baoshan* and Mr. Kuo Dah Chih, Stanford*.*

* *Independent non-executive Director*

^ *For identification purposes only*