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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTION SALES AGREEMENT

In contemplation of the expiry of the Previous Sales Agreement on 31 July 2022, the Board announces that on 21 June 2022, BPTH (as supplier) entered into the Sales Agreement with Dongguan PF (as purchaser) in relation to the sale of elastic fabric, elastic webbing, lace, printing and embroidery by members of the BPTH Group to the Dongguan PF Group for a term of three years commencing from 1 August 2022 to 31 July 2025.

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, mother of Mr. Lu Libin and sister of Mr. Wu), 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 a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules, and entering into of the Sales Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profit ratio) in respect of the Sales Agreement exceeds 5%, the Sales Agreement is subject to the reporting, announcement, annual review requirements and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

EXTRAORDINARY GENERAL MEETING

The Company will convene the EGM for purposes of, among other things, seeking approval from the Independent Shareholders with respect to the Sales Agreement and the transactions contemplated thereunder (including the Annual Caps). A circular containing, among other things, details about the Sales Agreement, a letter of advice from the Independent Board Committee to the Independent Shareholders with respect to the Sales Agreement, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders with respect to the Sales Agreement, and a notice for the EGM, is expected to be despatched by the Company to the Shareholders on or before 29 June 2022.

Shareholders and potential investors should note that the Sales Agreement is subject to, among other things, the Independent Shareholders' approval. As the transactions contemplated by the Sales Agreement may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

The Group has been supplying elastic fabric, elastic webbing, lace, printing and embroidery to Dongguan PF and/or its associates since 4 May 2016, details of which were disclosed in the announcements of the Company dated 3 May 2016, 3 May 2019, 30 June 2021 and 3 May 2022. In contemplation of the expiry of the Previous Sales Agreement on 31 July 2022, the Board announces that on 21 June 2022, BPTHL (as supplier) entered into the Sales Agreement with Dongguan PF (as purchaser) to renew the Previous Sales Agreement for a term of three years commencing on 1 August 2022 to 31 July 2025.

Principal terms of the Sales Agreement are summarised below.

THE SALES AGREEMENT

- Date : 21 June 2022
- Parties : (i) BPTHL, a direct wholly-owned subsidiary of the Company (for and on behalf of the BPTHL Group, as supplier); and
(ii) Dongguan PF (for and on behalf of the Dongguan PF Group, as purchaser)
- Term : Three years commencing from 1 August 2022 to 31 July 2025.
- Goods to be supplied : Members of the BPTHL Group shall supply elastic fabric, elastic webbing, lace, printing and embroidery to the Dongguan PF Group.
- Selling price and terms : Relevant member(s) of the BPTHL Group (as supplier) shall confirm the selling price with the relevant member(s) of the Dongguan PF Group (as purchaser) in writing for each order. Pursuant to the Sales Agreement, the selling price and terms for elastic fabric, elastic webbing, lace, printing and embroidery offered by the member(s) of the BPTHL Group to the Dongguan PF Group shall be agreed after arm's length negotiation between the BPTHL Group and the Dongguan PF Group based on normal commercial terms after taking into consideration (i) the historical and prevailing market price of the same and similar goods in the area, (ii) the historical and prevailing selling prices of the Group for the goods to Independent Third Party customers, (iii) the Group's cost of sale of the goods, (iv) the size of the orders, and (v) the credit worthiness and potential business growth of the Dongguan PF Group, and in any event shall be no more favourable than those offered to Independent Third Parties.

- Payment term : Relevant member(s) of the BPTHL Group (as supplier) shall issue invoice within 30 days after expiry of each calendar month in respect of the elastic fabric, elastic webbing, lace, printing and embroidery supplied to relevant member(s) of the Dongguan PF Group (as purchaser) during that calendar month, which shall be settled by relevant member(s) of the Dongguan PF Group via wire transfer within 90 days from the invoice date.
- Other terms and conditions : Pursuant to the Sales Agreement, the transactions contemplated under the Sales Agreement shall be on normal commercial terms. The Sales Agreement is subject to the Independent Shareholders' approval of the Sales Agreement and the transactions contemplated thereunder (including the Annual Caps).

HISTORICAL ANNUAL CAPS AND TRANSACTION AMOUNTS

The Group's historical annual caps and sales amounts for elastic fabric, elastic webbing, lace, printing and embroidery to Dongguan PF and/or its associates during the financial years ended 31 December 2019, 2020 and 2021 and for the period from 1 January 2022 to 31 July 2022 under the sales agreements between Dongguan BPT, Dongguan NHE and Dongguan PF dated 3 May 2016, 3 May 2019 and 3 May 2022 are set out below:

	For the financial year ended 31 December 2019	For the financial year ended 31 December 2020	For the financial year ended 31 December 2021	From 1 January 2022 to 3 May 2022	From 4 May 2022 to 31 July 2022
Annual cap	RMB30 million	RMB45 million	RMB110 million	RMB50 million	RMB40 million
Transaction amount (Note 1)	RMB24,932,482	RMB42,564,786	RMB97,338,512	RMB45,452,060	RMB3,793,049 (Note 2)

Note 1: The transaction amounts of RMB24,932,482, RMB42,564,786 and RMB97,338,512 for the financial years ended 31 December 2019, 2020 and 2021 respectively represent approximately 0.8%, 1.4% and 2.5% of the total revenue of the Group for the corresponding period.

Note 2: The historical transaction amount is the latest available figure as at 31 May 2022. As at the date of this announcement, the annual cap for the period from 4 May 2022 to 31 July 2022 has not been and is not expected to be exceeded.

ANNUAL CAPS FOR THE SALES AGREEMENT

The Annual Caps for the transaction amounts under the Sales Agreement for the financial years ending 31 December 2022, 2023, 2024 and 2025 respectively are set out below:–

	For the financial year ending 31 December 2022 (from 1 August 2022 to 31 December 2022)	For the financial year ending 31 December 2023 (from 1 January 2023 to 31 December 2023)	For the financial year ending 31 December 2024 (from 1 January 2024 to 31 December 2024)	For the financial year ending 31 December 2025 (from 1 January 2025 to 31 July 2025)
Annual cap	RMB68 million (equivalent to approximately HK\$79,893,200)	RMB230 million (equivalent to approximately HK\$270,227,000)	RMB350 million (equivalent to approximately HK\$411,215,000)	RMB286 million (equivalent to approximately HK\$336,021,400)

The Annual Caps for the transaction amounts under the Sales Agreement were determined after considering (i) the historical transaction amounts of the same and similar goods purchased by the Dongguan PF Group and the high utilization rate of the historical annual caps in respect of such sales transactions during the previous years, (ii) the potential business growth of the Dongguan PF Group, and (iii) the expected demand for the goods of the Dongguan PF Group during the term of the Sales Agreement.

The Annual Cap of RMB68 million for the five months ending 31 December 2022 was determined after considering (i) the average monthly sales to the Dongguan PF Group for the four months ended 30 April 2022 of approximately RMB11.3 million, (ii) the increase in the sales to the Dongguan PF Group of approximately 33% compared to the corresponding period in 2021 mainly due to the business growth of the Dongguan PF Group, (iii) the high utilization rate of the historical annual caps for the previous years, and (iv) a buffer of approximately 20.0% in order to capture the potential growth of the sales to the Dongguan PF Group.

The Annual Caps for the two years ending 31 December 2024 and the seven months ending 31 July 2025 were determined after taking into consideration various factors including (i) the historical year-on-year growth rate of the transaction amounts of goods purchased by the Dongguan PF Group of approximately 70.7% for the year ended 31 December 2020 and approximately 128.7% for the year ended 31 December 2021 respectively (including during the COVID-19 pandemic period), and (ii) the potential business development and expansion of the Dongguan PF Group and that the Dongguan PF Group intends to purchase more goods from the Group in the coming years, according to the Company's discussions with the management of the Dongguan PF Group.

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 the 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 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 between the BPTHL Group and the Dongguan PF Group contemplated under the Sales Agreement and to ensure that the transactions are conducted in accordance with the Sales Agreement:–

- (a) The sales departments of members of the BPTHL 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 the 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, the prevailing selling price of the goods, the Group's cost of sale of the goods and the size of the order, and propose the same to the management for consideration.
- (c) The management will negotiate with the 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 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 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 Sales Agreement 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 BPTHL Group to the Dongguan PF Group under the Sales Agreement will be in accordance with the terms under the agreement, on normal commercial terms, fair and reasonable to the Company and Shareholders as a whole.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SALES AGREEMENT

The Group is principally engaged in the manufacture and trading of elastic fabric, elastic webbing and lace whilst the Dongguan PF Group is principally engaged in the manufacture and selling of apparels. Over the years, the Dongguan PF Group has been sourcing fabric and webbing for its manufacture of apparels. Pursuant to the Sales Agreement, it is agreed that the selling price and terms offered to the Dongguan PF Group shall be no more favourable than those offered to Independent Third Parties. The entering into of the Sales Agreement can facilitate the Group's business development and broaden the Group's revenue base, thereby improving the Group's sustainability in the long run. As such, the Board considers that the entering into of the Sales Agreement is beneficial to the Group.

In view of the above, the Directors (excluding the independent non-executive Directors, who will give their opinion after considering the advice from the Independent Financial Adviser in respect of the Sales Agreement) considers that (i) the terms of the Sales Agreement are on normal commercial terms that are fair and reasonable, (ii) the Annual Caps are fair and reasonable, and (iii) the continuing connected transaction contemplated under the Sales Agreement is and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP, BPTHL AND DONGGUAN PF GROUP

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

BPTHL, a direct wholly-owned subsidiary of the Company, is principally engaged in investment holding. Via its subsidiaries, it engages in the manufacture and sales of elastic fabric, elastic webbing and lace.

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

CONNECTED RELATIONSHIP AND 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, mother of Mr. Lu Libin and sister of Mr. Wu), 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 a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules, and entering into of the Sales Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) in respect of the Sales Agreement exceeds 5%, the Sales Agreement is subject to the reporting, announcement, annual review requirements and 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 Mr. Lu and 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 and the transaction contemplated thereunder.

EXTRAORDINARY GENERAL MEETING

The Company will convene the EGM for purposes of, among other things, seeking approval from the Independent Shareholders with respect to the Sales Agreement and the transactions contemplated thereunder (including the Annual Caps).

As at the date of this announcement, Mr. Lu, Mr. Wu and Ms. Zheng, personally and/or via their respective wholly-owned entities, in aggregate, hold 759,094,000 Shares, representing approximately 72.99% of the issued share capital of the Company. In view of the interests of Mr. Lu, Mr. Wu and Ms. Zheng, Mr. Lu, Mr. Wu, Ms. Zheng and their respective associates will abstain from voting on the resolutions in relation to the Sales Agreement and the Annual Caps thereunder at the EGM.

The Company has formed the Independent Board Committee to advise the Independent Shareholders with respect to the Sales Agreement. The Company has also appointed FDB Financial Group Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, details about the Sales Agreement, a letter of advice from the Independent Board Committee to the Independent Shareholders with respect to the Sales Agreement, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders with respect to the Sales Agreement, and a notice for the EGM, is expected to be despatched by the Company to the Shareholders on or before 29 June 2022.

Shareholders and potential investors should note that the Sales Agreement is subject to, among other things, the Independent Shareholders' approval. As the transactions contemplated by the Sales Agreement may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 12 July 2022 to Friday, 15 July 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 11 July 2022.

DEFINITIONS

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

“Annual Cap(s)”	the annual cap(s) for the transactions contemplated under the Sales Agreement for the financial year(s) ending 31 December 2022, 2023, 2024 and/or 2025 (as the case may be)
“associate(s)”	has the meaning as ascribed to this term under the Listing Rules
“Board”	the board of Directors
“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 associates from time to time
“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
“EGM”	the extraordinary general meeting of the Company to be convened and held on 15 July 2022 for the Independent Shareholders to consider and, if thought fit, to approve the Sales Agreement and the transactions contemplated thereunder (including the Annual Caps)
“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 Board Committee”	a committee of the Board, comprising independent non-executive Directors, established by the Company to advise on the Independent Shareholders the Sales Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Financial Adviser”	FDB Financial Group Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Sales Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Shareholders”	Shareholders who are not required to abstain from voting on relevant resolution(s) relating to the subject transaction to be proposed at the EGM under the Listing Rules
“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, mother of Mr. Lu Libin 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
“Previous Sales Agreement”	the sales agreement dated 3 May 2022 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, Dongguan NHE and any company of the Group designated by them to the Dongguan PF Group for a term from 4 May 2022 to 31 July 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Agreement”	the agreement dated 21 June 2022 entered into between BPTH (as supplier) and Dongguan PF (as purchaser) in relation to sales of elastic fabric, elastic webbing, lace, printing and embroidery by the BPTH Group to the Dongguan PF Group for a term of three years from 1 August 2022 to 31 July 2025
“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

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\$1.1749. 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, 21 June 2022

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*