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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)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO TRISCHEL FABRIC (PRIVATE) LIMITED

(I) SALES FRAMEWORK AGREEMENT AND (II) LEASE RELATED MOU AND (III) PURCHASE FRAMEWORK AGREEMENT

BACKGROUND

Reference is made to the Announcements. In contemplation of the expiry of the Existing Sales Framework Agreement, the Existing Sub-Leases and the Existing Purchase Agreements on 31 December 2022, the Board announces that on 19 December 2022, certain members of the Group entered into the following agreements with certain members of MAS Group.

(I) The Sales Framework Agreement

To ensure the continuous supply of BP Products by BPTH Group to MAS Group, BPTH (a wholly-owned subsidiary of the Company) entered into the Sales Framework Agreement with the JV Partner in relation to the sale of BP Products by BPTH Group to MAS Group for a term of three years commencing on 1 January 2023 to 31 December 2025.

(II) The Lease Related MOU

To ensure the continuous use of the relevant premises at MAS industrial park under the Existing Sub-Leases and in view of the potential increase in the number of premises to be leased by the JV Company from MAS Group, the JV Company entered into the legally binding Lease Related MOU with MAS Fabric Park to govern the renewal of the Existing Sub-Leases as well as the entering into new leases and the provision of services incidental to such leased properties from time to time for a term of three years commencing on 1 January 2023 to 31 December 2025.

(III) The Purchase Framework Agreement

To ensure the continuous provision of Shared Services and supply of MAS Products by MAS Group to the JV Company, the JV Company entered into the Purchase Framework Agreement with the JV Partner in relation to the provision of Shared Services and the supply of MAS Products by MAS Group to the JV Company for a term of three years commencing on 1 January 2023 to 31 December 2025.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the JV Company is indirectly held as to 51% by the Group and as to 49% by the JV Partner. Accordingly, members of MAS Group (including the JV Partner and MAS Fabric Park) are connected persons of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules, and therefore the transactions contemplated under the Sales Framework Agreement, the Lease Related MOU and the Purchase Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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

As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the Purchase Framework Agreement (based on its Annual Caps) exceeds 1% but all of them are below 5%, the Purchase Framework Agreement is subject to the reporting, announcement and annual review requirements but exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the Announcements. In contemplation of the expiry of the Existing Sales Framework Agreement, the Existing Sub-Leases and the Existing Purchase Agreements on 31 December 2022, the Board announces that on 19 December 2022, certain members of the Group entered into the Sales Framework Agreement, the Lease Related MOU and the Purchase Framework Agreement with certain members of MAS Group.

(I) The Sales Framework Agreement

Over the years, BPTHL Group has been supplying BP Products to MAS Group. In contemplation of the expiry of the Existing Sales Framework Agreement on 31 December 2022, BPTHL and the JV Partner entered into the Sales Framework Agreement to renew the Existing Sales Framework Agreement. Principal terms of the Sales Framework Agreement are summarised below.

Date	:	19 December 2022
Parties	:	(i) BPTHL (ii) JV Partner
Term	:	From 1 January 2023 to 31 December 2025 (both days inclusive).
Subject matter	:	BPTHL Group (as supplier) and MAS Group (as purchaser) will enter into transactions relating to the sale and purchase of BP Products from time to time on normal commercial terms and subject to and upon the terms and conditions to be agreed between the relevant members of BPTHL Group and MAS Group, setting out, among other things, BP Products to be supplied, specifications, quantity, price, delivery method and payment arrangement.
Pricing basis for BP Products	:	Subject to the Annual Caps, the prices to be charged by BPTHL Group in respect of the supply of BP Products will be negotiated at arm's length basis which will be determined with reference to the market price of BP Products and the operation costs incurred by BPTHL Group for supplying BP Products to MAS Group under the Sales Framework Agreement, and shall not be more favourable than those offered by BPTHL Group to independent customers in similar transactions.

- Payment terms : The relevant member of MAS Group shall pay to the relevant member of BPTHL Group the total amount for each purchase order in the currency specified in the quotation issued by the relevant member of BPTHL Group by cheque or by electronic transfer or by direct deposit of funds into such bank account specified by the relevant member of BPTHL Group within the invoice time period or on any other date as may be agreed between BPTHL and the JV Partner from time to time.
- Most preferred supplier : Pursuant to the Sales Framework Agreement, the JV Partner agreed that the JV Company shall be its most favoured fabric supplier for garments manufactured by the JV Partner, and shall procure the JV Company to be MAS Group's most favoured fabric supplier for garments manufactured by MAS Group, provided that the JV Company is able to meet the price, quality, specifications and other requirements of the customers of MAS Group.
- Renewal : BPTHL and the JV Partner may mutually agree in writing to renew the Sales Framework Agreement for a further term of three years prior to expiry, subject to compliance with the then applicable requirements of the Listing Rules and subject to the same terms and conditions as stated in the Sales Framework Agreement provided that the annual caps may be adjusted at the request of BPTHL and mutual agreement between BPTHL and the JV Partner.

(II) The Lease Related MOU

In contemplation of the expiry of the Existing Sub-Leases on 31 December 2022 and to ensure the continuous use of the relevant premises at MAS industrial park, as well as in view of the potential increase in the number of premises to be leased by the JV Company from MAS Group, the JV Company entered into the legally binding Lease Related MOU with MAS Fabric Park, principal terms of which are summarised below.

- Date : 19 December 2022
- Parties : (i) JV Company
(ii) MAS Fabric Park
- Term : From 1 January 2023 to 31 December 2025 (both days inclusive).

Subject matter : Where the JV Company intends to rent any properties, or procure any services incidental to such properties (e.g. utilities services and property management services), from any member of MAS Group, the JV Company shall from time to time enter into a separate sub-lease agreement for the sub-lease of properties or a separate service agreement for the property related services with the relevant member of MAS Group in accordance with the terms and conditions of the Lease Related MOU.

Each of the separate sub-lease agreements and service agreements entered into between the JV Company and MAS Group shall be consistent with the terms of the Lease Related MOU, and shall set out, among other things, details and size of the leased properties, details of the property related services required, term, fees and payment arrangements provided always that such terms and conditions must be on normal commercial terms, and shall be in compliance with the applicable laws and regulations and the Listing Rules.

Pricing basis for the rentals and other fees payable for the leased premises : The rentals or service fees chargeable by the relevant member of MAS Group under any separate sub-lease agreement or service agreement shall be negotiated on arm's length basis which shall be determined with reference to the prevailing market rates of similar or comparable properties or services from time to time, the location and conditions of the leased properties, the rentals charged by the relevant member of MAS Group for similar or comparable properties, the reliability and standard service fee scale charged by the relevant member of MAS Group for the same or similar property related services.

In any event, the rentals or service fees chargeable by the relevant member of MAS Group under any separate sub-lease agreement or service agreement shall be on normal commercial terms and not less favourable than those offered by the relevant member of MAS Group to independent customers in similar transactions.

Payment terms : The JV Company shall pay to the relevant member of MAS Group the rentals, premium and/or service fees (if any) in the currency specified in the separate sub-lease agreement or service agreement by cheque or by electronic transfer or by direct deposit of funds into such bank account specified by the relevant member of MAS Group within the invoice time period as may be agreed to by the JV Company and the relevant member of MAS Group.

Other terms : The JV Company shall have full discretion to accept or decline the offer made by MAS Group in respect of any sub-lease or property related services and is free to consider other offers from third party landlords and premises or third party service providers.

The JV Company and MAS Fabric Park may mutually agree in writing to renew the Lease Related MOU for a further term of three years prior to expiry, subject to compliance with the then applicable requirements of the Listing Rules and subject to the same terms and conditions as stated in the Lease Related MOU.

(III) The Purchase Framework Agreement

To ensure the continuous provision of Shared Services and supply of MAS Products by MAS Group to the JV Company, the JV Company entered into the Purchase Framework Agreement with the JV Partner, principal terms of which are summarised below.

Date : 19 December 2022

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

Term : From 1 January 2023 to 31 December 2025 (both days inclusive).

Subject matter : The JV Company (as service recipient or purchaser) and the relevant member of MAS Group (as service provider or supplier) will enter into a definitive agreement or purchase order in relation to the provision of Shared Services and the supply of MAS Products by/from MAS Group from time to time in accordance with the terms and conditions of the Purchase Framework Agreement.

Each of the definitive agreements and purchase orders entered into between the JV Company and the relevant member of MAS Group shall be consistent with the terms of the Purchase Framework Agreement, and shall set out, among other things, details of Shared Services or MAS Products to be supplied, quantity, price/fees, delivery method and payment arrangement, provided always that such terms and conditions must be on normal commercial terms, and shall be in compliance with the applicable laws and regulations and the Listing Rules.

Pricing basis for
Shared Services
and MAS Products

: Subject to the Annual Caps, the prices or fees to be charged by MAS Group in respect of the provision of Shared Services and the supply of MAS Products under each definitive agreement or purchase order shall be negotiated at arm's length basis and determined with reference to the following pricing basis:

- (i) the standard charging rate or selling price (where applicable) adopted by the relevant member of MAS Group in respect of the particular type of Shared Services or MAS Products, which should be equally applicable to the JV Company and all other third parties; or
- (ii) where there is no such standard charging rate or selling price applicable to a particular type of Shared Service or MAS Product, the charging rate or selling price for such Shared Service or MAS Product shall be determined with reference to the operation costs incurred by the relevant member of MAS Group for supplying such service or product plus a reasonable percentage mark-up which shall be negotiated between the parties at arm's length basis with reference to the market rate/price in respect of the same or similar service or product provided by other comparable service providers or suppliers in Sri Lanka (having regard to the size, quality of service or product, reputation, etc.) and the historical rate/price in respect of the same Shared Service or MAS Product provided by MAS Group; and

the charging rates and selling prices for Shared Services and MAS Products to be provided by MAS Group to the JV Company under the Purchase Framework Agreement shall be fair and reasonable and on normal commercial terms and not less favourable than those offered by MAS Group to independent customers in similar transactions and in compliance with the then applicable requirements under the Listing Rules.

Payment terms : The JV Company shall pay the amount in respect of Shared Services or MAS Products provided by the relevant member of MAS Group in the currency specified in the invoice issued by the relevant member of MAS Group by cheque or by electronic transfer or by direct deposit of funds into such bank account specified by the relevant member of MAS Group within the invoice time period as may be agreed between the JV Company and the relevant member of MAS Group.

Other terms : Pursuant to the Purchase Framework Agreement, the JV Company may (but is not obliged to) purchase any Shared Service and/or MAS Product from MAS Group and may at its sole discretion purchase any of Shared Services and/or MAS Products from other suppliers or service providers.

The JV Company and the JV Partner may mutually agree in writing to renew the Purchase Framework Agreement for a further term of three years prior to expiry on same terms and conditions, subject to compliance with the then applicable requirements of the Listing Rules provided that the annual caps may be adjusted at the request of the JV Company and by mutual agreement between the JV Company and the JV Partner.

Pursuant to the Purchase Framework Agreement and to ensure the continuous provision of Shared Services and supply of MAS Products by MAS Group to the JV Company under the Existing Purchase Agreements, it is expected that the JV Company will enter into various definitive agreements and/or purchase orders with the relevant members of MAS Group, including provision of the centralised group services by the JV Partner, MAS Legato and MAS Holdings in relation to the operation of the JV Company in areas such as legal, corporate finance, treasury, business strategy, risk and control, human resources, sustainability, corporate social responsibility, information technology and consultancy services on implementation of lean systems, general ledger, accounts receivable and accounts payable accounting processes, administration and technical support; provision of the services relating to accommodation, meals, training and recreation facilities by MAS Fabric Park; provision of the air and sea freight management services by MAS Hellmann; and the supply of MAS Products by MAS Group.

HISTORICAL TRANSACTION AMOUNTS AND ANNUAL CAPS

The historical transaction amounts in respect of (i) the supply of BP Products by BPTHL Group to MAS Group, (ii) the sub-leases and the related services agreements between the JV Company and MAS Group, and (iii) Shared Services and MAS Products provided by MAS Group to the JV Company for the three financial years ended 31 December 2021 and the ten months ended 31 October 2022 are set out below:

Transaction amount	For the financial year ended 31 December 2019	For the financial year ended 31 December 2020	For the financial year ended 31 December 2021	For the ten months ended 31 October 2022
Supply of BP Products by BPTHL Group to MAS Group (<i>Note 1</i>)	US\$64,792,171 (equivalent to approximately HK\$505,378,934)	US\$54,901,393 (equivalent to approximately HK\$428,230,865)	US\$90,162,472 (equivalent to approximately HK\$703,267,282)	US\$69,381,363 (equivalent to approximately HK\$541,174,631)
Sub-leases and related services agreements between the JV Company and MAS Group (<i>Note 2</i>)	US\$3,717,490 (equivalent to approximately HK\$28,996,422)	US\$3,665,115 (equivalent to approximately HK\$28,587,897)	US\$5,886,350 (equivalent to approximately HK\$45,913,530)	US\$5,115,661 (equivalent to approximately HK\$39,902,156)
Shared Services and MAS Products provided by MAS Group to the JV Company (<i>Note 3</i>)	US\$527,254 (equivalent to approximately HK\$4,112,581)	US\$751,046 (equivalent to approximately HK\$5,858,159)	US\$3,050,688 (equivalent to approximately HK\$23,795,366)	US\$2,298,028 (equivalent to approximately HK\$17,924,618)

Notes:

- These were the historical transaction amounts paid by MAS Group to BPTHL Group under the sales framework agreement dated 4 December 2017 between BPTHL and the JV Partner (as supplemented by the supplemental agreement dated 31 December 2019) and the Existing Sales Framework Agreement. Details of these agreements were disclosed by the Company in its Announcements dated 4 December 2017, 31 December 2019 and 30 June 2021.
- These historical transaction amounts represented the rentals, premiums, service fees and/or renovation fees paid by the JV Company to MAS Fabric Park under the 2006 Sub-Lease, the 2006 Sub-Lease Related Services Agreement, the 2016 MOU and the Existing Sub-Leases. Details of these agreements were disclosed by the Company in its Announcements dated 4 December 2017, 1 August 2019 and 29 January 2021.
- These were the historical transaction amounts paid by the JV Company to MAS Group in respect of (i) certain Shared Services under the framework agreement dated 1 August 2018 between the JV Company and the JV Partner and the framework agreement dated 1 August 2018 between the JV Company and MAS Legato (details of which were disclosed by the Company in its Announcement dated 1 August 2018), and (ii) certain Shared Services and MAS Products under the Existing Purchase Agreements.

The Annual Caps for the transaction amounts under the Sales Framework Agreement, the Lease Related MOU and the Purchase Framework Agreement for the three financial years ending 31 December 2025 are set out below:

Annual Cap	For the financial year ending 31 December 2023	For the financial year ending 31 December 2024	For the financial year ending 31 December 2025
Sales Framework Agreement (<i>Note 1</i>)	US\$138,000,000 (equivalent to approximately HK\$1,076,400,000)	US\$159,000,000 (equivalent to approximately HK\$1,240,200,000)	US\$183,000,000 (equivalent to approximately HK\$1,427,400,000)
Lease Related MOU (<i>Note 2</i>)	US\$15,930,000 (equivalent to approximately HK\$124,254,000)	US\$18,355,000 (equivalent to approximately HK\$143,169,000)	US\$21,596,000 (equivalent to approximately HK\$168,448,800)
Purchase Framework Agreement (<i>Note 3</i>)	US\$5,681,000 (equivalent to approximately HK\$44,311,800)	US\$6,605,000 (equivalent to approximately HK\$51,519,000)	US\$7,755,000 (equivalent to approximately HK\$60,489,000)

Notes:

1. The Annual Caps were determined with reference to (i) the historical transaction amounts of the sales of BP Products by BPTHL Group to MAS Group for the three financial years ended 31 December 2021 and the ten months ended 31 October 2022 under the sales framework agreement dated 4 December 2017 between BPTHL and the JV Partner (as supplemented by the supplemental agreement dated 31 December 2019) and the Existing Sales Framework Agreement; (ii) the projected demand of BP Products from MAS Group and the anticipated increase in the selling prices of BP Products for the three financial years ending 31 December 2025 as anticipated by the management of the Company; and (iii) certain buffers to allow for any further increase in the sales volume and/or selling prices of BP Products.
2. The Annual Caps were determined with reference to (i) the value of the right-of-use assets relating to the 2006 Sub-Lease and the estimated total value of the right-of-use assets relating to the sub-leases for the Giriulla Premises, the Logiwiz Premises, the Lot 39 Premises and the Weft Premises to be entered into between the JV Company and MAS Group under the Lease Related MOU; (ii) the annual caps for the transaction amounts under the 2006 Sub-Lease Related Services Agreement and the 2016 MOU for the three financial years ending 31 December 2025 which were determined with reference to the historical transaction amounts under the said agreements, the increased utilities charge out rates, the projected production volume of the JV Company and adding certain buffers; and (iii) certain buffers to allow for an increase in rent and increase in the demand for the leased properties from MAS Group in light of the continuous business expansion of the JV Company with reference to the historical and prevailing rentals chargeable by MAS Group to the JV Company as well as for any services incidental to such leased properties from MAS Group to the JV Company under the Lease Related MOU for the three financial years ending 31 December 2025.

3. The Annual Caps were determined with reference to (i) the historical transaction amounts in respect of Shared Services and MAS Products provided by MAS Group to the JV Company for the last three financial years ended 31 December 2021 and the ten months ended 31 October 2022; (ii) the charging rates for Shared Services and the selling prices for MAS Products charged by MAS Group for the year 2022; (iii) the projected demand of Shared Services and MAS Products based on the projected increase in the business scale of the JV Company; and (iv) certain buffers to allow for any increase in the charging rates for Shared Services, in particular to cater for the volatility in international freight charges, and the selling prices for MAS Products as anticipated by the management of the Company.

The fees payable under the Lease Related MOU and the Purchase Framework Agreement will be funded by internal resources of the JV Company.

ACCOUNTING TREATMENT FOR THE SUB-LEASES UNDER THE LEASE RELATED MOU

Pursuant to HKFRS 16, the Group is required to recognise a right-of-use asset representing its right to use for the underlying leased asset in respect of a sub-lease entered into under the Lease Related MOU with a term of more than 12 months and a lease liability (i.e. the rent payable) at the date at which the leased asset is available for use. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use its incremental borrowing rate. As a result, the Group is required to set annual caps with reference to, among others, the total value of right-of-use assets related to the sub-lease(s) expected to be entered into in each year under the Lease Related MOU.

INTERNAL CONTROL AND PRICING POLICY

In order to ensure that the transactions contemplated under the Sales Framework Agreement, the Lease Related MOU and the Purchase Framework Agreement will be conducted on normal commercial terms, the Group has adopted the following measures:

In respect of the Sales Framework Agreement

- (a) The prices to be charged by BPTHL Group in respect of the supply of BP Products under the Sales Framework Agreement will be negotiated on arm's length basis which will be determined with reference to the market price of BP Products and the operation costs incurred by BPTHL Group for supplying BP Products to MAS Group under the Sales Framework Agreement;
- (b) The Group will (i) supervise the specific transactions contemplated under the Sales Framework Agreement through relevant personnel from the business department of the Group; and (ii) regularly update the market price of BP Products for the purpose of considering if the selling prices of BP Products charged by BPTHL Group are fair and reasonable and in accordance with the pricing policy under the Sales Framework Agreement;

In respect of the Lease Related MOU

- (c) The JV Company will obtain the market rents for similar or comparable premises in the same or nearby areas or similar locations in Sri Lanka, quotations for the property related services from other independent comparable service providers in Sri Lanka (having regard to the size, quality of services, reputation, etc., if available), and where necessary, the relevant market data (e.g. price trends);
- (d) The JV Company will then negotiate with MAS Group to agree on the rentals and/or the charging rates for the property related services required by the JV Company with reference to the market rents/rates, independent quotations and the relevant market data (if applicable), the pricing policy under the Lease Related MOU and the Annual Caps;

In respect of the Purchase Framework Agreement

- (e) Pursuant to the Purchase Framework Agreement, each December and from time to time if necessary, the JV Company and the JV Partner will review Shared Services and MAS Products provided during the year and will negotiate and confirm the type and price/service fee of Shared Services and MAS Products to be provided by MAS Group to the JV Company for the next financial year, provided that the total annual transaction amount shall not exceed the Annual Cap and the terms and conditions are in accordance with the pricing principles under the Purchase Framework Agreement;

- (f) Prior to the negotiation, the JV Company will consider the potential costs for setting up the JV Company's own department(s) or team(s) and decide, after taking into all the relevant factors (such as costs, work efficiency, etc.), as to whether to procure any or all of Shared Services for the next financial year. In this connection, the JV Company will request the relevant members of MAS Group to provide the basis of their charging rates for Shared Services, including the breakdown of their budgeted costs and profit margin, etc. The JV Company will also obtain independent quotations from other independent comparable service providers in Sri Lanka (having regard to the size, quality of service, reputation, etc.). Similarly for MAS Products, the JV Company will obtain independent quotations from other independent comparable suppliers in Sri Lanka (having regard to the size, quality of product, reputation, etc.);
- (g) The JV Company will then consider, based on the information provided by MAS Group and the independent quotations and market data (if applicable) obtained, if MAS Group's standard charging rates/selling prices for Shared Services and MAS Products are fair and reasonable, and in accordance with the pricing policy under the Purchase Framework Agreement and decide whether to procure such Shared Services and/or MAS Products from MAS Group;
- (h) As to Shared Services and MAS Products without any standard charging rate or selling price, the JV Company will negotiate with MAS Group to agree on the charging rate or selling price for such Shared Services and MAS Products with reference to the independent quotations from other independent comparable service providers or suppliers in Sri Lanka (having regard to the size, quality of service/product, reputation, etc.) and the relevant market data (if applicable), the pricing policy under the Purchase Framework Agreement;

General

- (i) During the year, the Group will conduct regular checks to review and assess whether the transactions are conducted in accordance with the terms of the Sales Framework Agreement, the Lease Related MOU and the Purchase Framework Agreement;
- (j) Where necessary, the Group will obtain more market data and/or further quotations from independent comparable service providers or suppliers in Sri Lanka (if available) for the purpose of considering if the fees/prices chargeable by MAS Group for the property related services under the Lease Related MOU as well as Shared Services and MAS Products under the Purchase Framework Agreement are fair and reasonable and in accordance with the respective pricing policies thereunder;
- (k) The Group has an internal audit system to trace, monitor and evaluate the transaction amounts under the Sales Framework Agreement, the Lease Related MOU and the Purchase Framework Agreement regularly to ensure that the respective Annual Caps will not be exceeded; and
- (l) The Group will comply with the annual review requirements in respect of the transactions contemplated under the Sales Framework Agreement, the Lease Related MOU and the Purchase 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 thereunder 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 transactions contemplated under the Sales Framework Agreement, the Lease Related MOU and the Purchase Framework Agreement will be in accordance with the respective terms and pricing principles thereunder, on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole.

REASONS FOR ENTERING INTO THE SALES FRAMEWORK AGREEMENT, THE LEASE RELATED MOU AND THE PURCHASE FRAMEWORK AGREEMENT

In respect of the Sales Framework Agreement

BPTHL Group is principally engaged in the manufacture and trading of elastic fabric, elastic webbing and lace whilst 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. MAS Group is also one of the largest apparel and textile manufacturers in South Asia. Over the years, BPTHL Group has been supplying BP Products to MAS Group. In August 2018, the Group entered into a strategic partnership with the JV Partner by establishing the JV Company. In order to ensure continuous supply of BP Products to MAS Group upon the expiry of the Existing Sales Framework Agreement, BPTHL and the JV Partner entered into the Sales Framework Agreement for a term of three years from 1 January 2023 to 31 December 2025 (both days inclusive).

With the ambition to seize the enormous market potential in the sportswear and apparel markets and in order to cope with the growing demands from customers for a shorter production lead time, higher product quality at competitive prices and other value-added services including faster product delivery, the Group intends to leverage the JV Partner's well-established presence and experience in Sri Lanka to facilitate the penetration of relationship with customers of both the Group and MAS Group and further increase the Group's market share.

Pursuant to the Sales Framework Agreement, the JV Partner has agreed that the JV Company shall be its most favoured fabric supplier for garments manufactured by the JV Partner, and shall procure the JV Company to be MAS Group's most favoured fabric supplier for garments manufactured by MAS Group, whilst the selling price of BP Products offered to MAS Group shall be no more favourable than those offered to independent customers in similar transactions. Therefore, the Board considers that the entering into of the Sales Framework Agreement can facilitate the Group's continuous business development and is beneficial to the Group.

In respect of the Lease Related MOU

The Board considers that it will be commercially beneficial to the JV Company to lease premises in MAS industrial park from MAS Group as it is expected that the Group can benefit from the well-developed supporting facilities available at such premises, and they will improve the efficiency in operation since the premises are near to each other. After considering the location, size and condition of the premises as well as the market rents of similar properties, the management anticipates that the JV Company will continue to lease premises from MAS Group to satisfy its future business needs from time to time. In contemplation of the expiry of the Existing Sub-Leases and to ensure the continuous use of

the relevant premises by the JV Company as its production sites and warehouses, and in view of possible lease of new premises from MAS Group to satisfy the future business growth of the JV Company, the Board considers that the entering into the Lease Related MOU which sets out a framework of the terms on which they may renew or enter into certain lease agreements and agreements for services incidental to such leased properties from time to time is beneficial to the Group.

In respect of the Purchase Framework Agreement

After taking into consideration of the operation and business scale of the JV Company, in particular the potential higher costs for the JV Company to set up its own legal, information technology, financial, human resources, or freight management teams, etc., the Company considers that it would be more efficient for the JV Company to procure Shared Services from MAS Group at this stage and also to procure certain MAS Products from MAS Group from time to time. Besides, under the Purchase Framework Agreement, the JV Company is not committed to procuring any of Shared Services and/or MAS Products from MAS Group; but if any transaction is entered into between the relevant parties, all such transactions will be on normal commercial terms. In contemplation of the expiry of the Existing Purchase Agreements and to ensure the continuous provision of Shared Services and supply of MAS Products by MAS Group to the JV Company, the Board considers that the entering into the Purchase Framework Agreement which sets out a framework of the terms on which the JV Company may procure various Shared Services and MAS Products from MAS Group from time to time is beneficial to the Group.

The terms of each of the Sales Framework Agreement, the Lease Related MOU and the Purchase Framework Agreement were determined after arm's length negotiations between the respective parties thereto. The Directors (including the independent non-executive Directors) consider that the entering into of the Sales Framework Agreement, the Lease Related MOU and the Purchase Framework Agreement are in the ordinary and usual course of business of the Group, the respective terms and Annual Caps thereof 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, BPTHL AND THE JV COMPANY

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 an investment holding company of the Group. BPTHL 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 MAS GROUP

Each of the JV Partner, MAS Fabric Park and MAS Legato is a company incorporated under the laws of Sri Lanka with limited liability and a wholly-owned subsidiary of MAS Holdings. MAS Hellmann is a company incorporated under the laws of Sri Lanka with limited liability and a 50%-owned joint venture company of MAS Holdings with HIF Logistics (Private) Limited as the other joint venture partner who is a third party independent from the Company and its connected persons. As at the date hereof, the JV Partner is the regional operating headquarters holding various subsidiaries and a provider of service as permitted by the Board of Investment of Sri Lanka, MAS Fabric Park is principally engaged in operation of textile processing zones in Thulhiriya and Giriulla in Sri Lanka, MAS Legato is principally engaged in provision of business process outsourcing services related to financial and accounting activities, human resources, commercial logistics and procurement services, and MAS Hellmann is principally engaged in the business of providing warehousing logistic warehousing value added services and fourth party logistic management services.

As the parent company of the MAS group of companies, MAS Holdings 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 53 manufacturing facilities placed across more than 16 countries, with design locations placed in key style centers across the globe and over 99,000 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. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, MAS Holdings is held under a trust by the name of Jacey Trust Services (Private) Limited as the institutional trustee.

CONNECTED RELATIONSHIP AND IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the JV Company is indirectly held as to 51% by the Group and as to 49% by the JV Partner. Accordingly, members of MAS Group (including the JV Partner and MAS Fabric Park) are connected persons of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules, and therefore the transactions contemplated under the Sales Framework Agreement, the Lease Related MOU and the Purchase Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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

As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the Purchase Framework Agreement (based on its Annual Caps) exceeds 1% but all of them are below 5%, the Purchase Framework Agreement is subject to the reporting, announcement and annual review requirements but exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

No Director has any material interest in the Sales Framework Agreement, the Lease Related MOU and the Purchase Framework Agreement and therefore no Director has abstained from voting on the Board resolutions approving the said 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:

“2006 Sub-Lease”	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 sub-lease of a piece of land at MAS industrial park in Sri Lanka for a term of 98 years and 7 months ending on 29 July 2105, details of which were disclosed in the Announcement dated 4 December 2017 (defined as “Sub-Lease Agreement” therein)
“2006 Sub-Lease Related Services Agreement”	the services agreement dated 22 December 2006 entered into between MAS Fabric Park and the JV Company, pursuant to which MAS Fabric Park shall provide the JV Company with electricity, steam, water, effluent discharge and fire hydrant water supply, details of which were disclosed in the Announcement dated 4 December 2017 (defined as “Services Agreement” therein)
“2016 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 ending on 14 July 2026, details of which were disclosed in the Announcement dated 4 December 2017 (defined as “MOU” therein)
“Announcement(s)”	the announcement(s) of the Company dated 4 December 2017, 1 August 2018, 1 August 2019, 31 December 2019, 8 January 2020, 29 January 2021 and/or 30 June 2021
“Annual Cap(s)”	the annual cap(s) for the transactions contemplated under the Sales Framework Agreement, the Lease Related MOU and/or the Purchase Framework Agreement for the financial year(s) ending 31 December 2023, 2024 and/or 2025

“associate(s)”	has the meaning as ascribed to this term under the Listing Rules
“Board”	the board of Directors
“BP Products”	synthetic textiles and textile related products manufactured by BPTHL Group from time to time which shall include synthetic fabrics, webbing, lace, printing and embroidery
“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
“Director(s)”	the director(s) of the Company
“Existing Giriulla Sub-Lease”	the sub-lease dated 29 January 2021 entered into between MAS Fabric Park (as lessor) and the JV Company (as lessee), in relation to the sub-lease of the Giriulla Premises for a term commencing on 1 February 2021 to 31 December 2022, details of which were disclosed in the Announcement dated 29 January 2021
“Existing Logiwiz Sub-Lease”	the sub-lease dated 1 August 2019 (as extended by a supplemental agreement dated 29 January 2021) entered into between MAS Fabric Park (as lessor) and the JV Company (as lessee), in relation to the sub-lease of the Logiwiz Premises for a term commencing on 1 August 2019 to 31 December 2022, details of which were disclosed in the Announcements dated 1 August 2019 and 29 January 2021
“Existing Lot 39 Sub-Lease”	the sub-lease dated 29 January 2021 entered into between MAS Fabric Park (as lessor) and the JV Company (as lessee), in relation to the sub-lease of the Lot 39 Premises for a term commencing on 1 February 2021 to 31 December 2022, details of which were disclosed in the Announcement dated 29 January 2021

<p>“Existing Purchase Agreements”</p>	<p>(i) the framework agreement dated 30 June 2021 entered into between the JV Company and the JV Partner in relation to the provision of the centralised group services by the JV Partner to the JV Company for its operation in various areas, including legal, corporate finance, treasury, business strategy, risk and control, human resources, sustainability, corporate social responsibility, information technology and consultancy services on implementation of lean systems, etc.; (ii) the framework agreement dated 30 June 2021 entered into between the JV Company and MAS Legato in relation to the provision of the centralised group services by MAS Legato to the JV Company in relation to general ledger, accounts receivable and accounts payable accounting processes, etc.; (iii) the framework agreement dated 30 June 2021 entered into between the JV Company and MAS Fabric Park in relation to the provision of services relating to accommodation, meals, training and recreation facilities by MAS Fabric Park to the JV Company; (iv) the framework agreement dated 30 June 2021 entered into between the JV Company and MAS Hellmann in relation to the provision of air freight management services by MAS Hellmann to the JV Company; (v) the framework agreement dated 15 January 2020 (as supplemented from time to time) entered into between the JV Company and MAS Hellmann in relation to the provision of sea freight management services by MAS Hellmann to the JV Company; and (vi) the framework agreement between the JV Company and the JV Partner dated 14 July 2021 in relation to the supply of MAS Products by MAS Group to the JV Company, all of which were fully exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and will expire on 31 December 2022</p>
<p>“Existing Sales Framework Agreement”</p>	<p>the framework agreement dated 30 June 2021 entered into between BPTHL and the JV Partner in relation to the supply of BP Products by BPTHL Group to MAS Group for a term commencing on 1 August 2021 to 31 December 2022, details of which were disclosed in the Announcement dated 30 June 2021</p>
<p>“Existing Sub-Leases”</p>	<p>the Existing Giriulla Sub-Lease, the Existing Logiwiz Sub-Lease, the Existing Lot 39 Sub-Lease and the Existing Weft Sub-Lease</p>
<p>“Existing Weft Sub-Lease”</p>	<p>the sub-lease dated 1 August 2019 (as extended by a supplemental agreement dated 29 January 2021) entered into between MAS Fabric Park (as lessor) and the JV Company (as lessee), in relation to the sub-lease of the Weft Premises for a term commencing on 1 August 2019 to 31 December 2022, details of which were disclosed in the Announcements dated 1 August 2019 and 29 January 2021</p>

“Giriulla Premises”	the premises situated at MAS industrial park in Mattegama Village in the District of Kurunegala, North-Western Province in Sri Lanka with an area of approximately 144,493 sq. ft., being sub-leased to the JV Company pursuant to the Existing Giriulla Sub-Lease, for production use and as a warehouse
“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
“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
“Lease Related MOU”	the legally binding memorandum of understanding dated 19 December 2022 entered into between the JV Company and MAS Fabric Park in relation to the sub-leases of certain properties and the provision of the services incidental to the leased properties from MAS Group (as lessor and service provider) to the JV Company (as lessee and service recipient)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Logiwiz Premises”	the premises situated at MAS industrial park in Nangalla and Thulhiriya Villages in the District of Kegalle, Sabaragamuwa Province in Sri Lanka with an area of approximately 70,458 sq. ft., being sub-leased to the JV Company pursuant to the Existing Logiwiz Sub-Lease, as a warehouse
“Lot 39 Premises”	the premises situated at MAS industrial park in Nangalla and Thulhiriya Villages in the District of Kegalle, Sabaragamuwa Province in Sri Lanka with an area of approximately 89,963.48 sq. ft., being sub-leased to the JV Company pursuant to the Existing Lot 39 Sub-Lease, for production use
“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 Group”	the JV Partner, its subsidiaries, its holding company, the fellow subsidiaries of its holding company, its trustees (acting in their capacity as trustees of any trust of which MAS Capital is a beneficiary or in the case of a discretionary trust, is to its knowledge a discretionary object), and their affiliates from time to time
“MAS Hellmann”	Hellmann MAS Supply Chain (Private) Limited, a company incorporated in Sri Lanka with limited liability and a member of MAS Group
“MAS Holdings”	MAS Holdings (Private) Limited, a company incorporated in Sri Lanka with limited liability and the holding company of the JV Partner and MAS Fabric Park
“MAS Legato”	MAS Legato (Private) Limited, a company incorporated in Sri Lanka with limited liability and an indirect wholly-owned subsidiary of MAS Holdings
“MAS Products”	fabric, yarn, lace, accessories, and spare parts, dye, chemicals, ink and any other materials supplied by MAS Group from time to time
“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
“Purchase Framework Agreement”	the master framework agreement dated 19 December 2022 entered into between the JV Company and the JV Partner in relation to the provision of Shared Services and the supply of MAS Products by MAS Group to the JV Company
“Sales Framework Agreement”	the master framework agreement dated 19 December 2022 entered into between BPTHL and the JV Partner in relation to the supply of BP Products by BPTHL Group to MAS Group
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shared Services”	the centralised group services and other services provided by MAS Group to the JV Company from time to time under the Existing Purchase Agreements and the Purchase Framework Agreement
“Shareholder(s)”	holder(s) of the Share(s)

“sq. ft.”	square feet
“Sri Lanka”	the Democratic Socialist Republic of Sri Lanka
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“Weft Premises”	the premises situated at MAS industrial park in Nangalla and Thulhiriya Villages in the District of Kegalle, Sabaragamuwa Province in Sri Lanka with an area of approximately 44,435 sq. ft., being sub-leased to the JV Company pursuant to the Existing Weft Sub-Lease, for production use
“%”	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, 19 December 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*