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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 3 May 2019, the Board announces that on 3 May 2019, Dongguan BPT and Dongguan NHE (as suppliers) entered into the Sales Agreement with Dongguan Clothing (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.

Each of Dongguan BPT and Dongguan NHE is an indirect wholly-owned subsidiary of the Company. As at the date of this announcement, Dongguan Clothing is owned as to 50% by Mrs. Lu (the spouse of Mr. Lu and sister of Mr. Wu), 30% 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 Clothing is an associate of each of Mr. Lu, Mr. Zhang, Mr. Wu and Ms. Zheng 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 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 are more than 0.1% but less than 5%, the transaction contemplated under the Sales 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.

Dongguan BPT and Dongguan NHE have been supplying elastic fabric and elastic webbing to Dongguan Clothing since 4 May 2016 pursuant to the Previous Sales Agreement, details of which were disclosed in the announcement of the Company dated 3 May 2016. In contemplation of the expiry of the Previous Sales Agreement on 3 May 2019, the Board announces that on 3 May 2019, Dongguan BPT and Dongguan NHE (as suppliers) entered into the Sales Agreement with Dongguan Clothing (as purchaser) to renew the Previous Sales Agreement.

Principal terms of the Sales Agreement are summarised below.

THE SALES AGREEMENT

- Date : 3 May 2019
- Parties : (i) Dongguan BPT, an indirect wholly-owned subsidiary of the Company (as elastic fabric, lace, printing and embroidery supplier)
(ii) Dongguan NHE, an indirect wholly-owned subsidiary of the Company (as elastic webbing supplier)
(iii) Dongguan Clothing (as purchaser)
- Term : Three years commencing from 4 May 2019 to 3 May 2022.
- Goods to be supplied : 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 Clothing.
- Selling price and terms : For elastic fabric, between the price range of RMB5 to RMB200 per meter (tax inclusive).

For lace, between the price range of RMB0.5 to RMB80 per meter (tax inclusive).

For printing and embroidery, between the price range of RMB5 to RMB40 per meter (tax inclusive) or the price range of RMB0.5 to RMB15 per piece (tax inclusive).

For elastic webbing, between the price range of RMB0.5 to RMB2 per meter (tax inclusive).

Dongguan BPT, Dongguan NHE or any designated company of the Group shall confirm the selling price with Dongguan Clothing 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 Dongguan BPT, Dongguan NHE or any designated company of the Group to Dongguan Clothing shall be no more favourable than those offered to Independent Third Parties.

In the event that the selling price for elastic fabric, elastic webbing, lace, printing and embroidery offered by Dongguan BPT, Dongguan NHE or any designated company of the Group to any Independent Third Party is changed due to costs increase or other reasons, which, after the change, does not fall within the abovementioned selling price ranges, Dongguan BPT, Dongguan NHE or any designated company of the Group may adjust the selling price ranges accordingly, such that the selling price and terms offered to Dongguan Clothing shall be no more favourable than those offered to Independent Third Parties, in which case Dongguan BPT, Dongguan NHE or any designated company of the Group (as the case may be) shall give 30 days' advance notice to and obtain consent from Dongguan Clothing.

Payment term : Dongguan BPT, Dongguan NHE and any designated company of the Group 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 Dongguan Clothing during that calendar month, which shall be settled by Dongguan Clothing 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 selling price ranges for the goods under the Sales Agreement are determined after arm's length negotiation between the parties thereto and with reference to (i) the historical and prevailing market price of the same and similar goods in the area, (ii) the historical and prevailing selling prices of Dongguan BPT and Dongguan NHE for the goods, and (iii) the credit worthiness and potential business growth of Dongguan Clothing.

HISTORICAL TRANSACTION AMOUNTS UNDER THE PREVIOUS SALES AGREEMENT

The historical transaction amounts under the Previous Sales Agreement for the financial years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019 are set out below:

	From 4 May 2016 to 31 December 2016	For the financial year ended 31 December 2017	For the financial year ended 31 December 2018	From 1 January 2019 to 31 March 2019
Transaction amount	RMB979,090	RMB11,876,595	RMB13,810,735	RMB3,641,163

ANNUAL CAPS FOR THE SALES AGREEMENT

The annual caps for the transaction amounts under the Sales Agreement for the financial years ending 31 December 2019, 2020, 2021 and 2022 respectively are set out below:–

	For the financial year ending 31 December 2019 (from 4 May 2019 to 31 December 2019)	For the financial year ending 31 December 2020 (from 1 January 2020 to 31 December 2020)	For the financial year ending 31 December 2021 (from 1 January 2021 to 31 December 2021)	For the financial year ending 31 December 2022 (from 1 January 2022 to 3 May 2022)
Annual cap	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)

The annual caps for the transaction amounts under the Sales Agreement are determined after considering (i) the historical transaction amounts of the same and similar goods purchased by Dongguan Clothing during the previous three years, (ii) the potential business growth of Dongguan Clothing, and (iii) the expected demand for the goods and potential growth of Dongguan Clothing.

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 Clothing shall be no more favourable than the price offered by Dongguan BPT, Dongguan NHE or any designated company of 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 Dongguan BPT, Dongguan NHE or any designated company of the Group and Dongguan Clothing contemplated under the Sales Agreement and to ensure that the transactions are conducted in accordance with the Sales Agreement:–

- (a) The sales departments of Dongguan BPT, Dongguan NHE and any designated company 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 Clothing, 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 Clothing 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 Dongguan BPT, Dongguan NHE or any designated company of the Group to Dongguan Clothing 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 Dongguan Clothing is principally engaged in the manufacture and selling of apparels. Over the years, Dongguan Clothing 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 Dongguan Clothing 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 (including the independent non-executive Directors) consider 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 AND DONGGUAN CLOTHING

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 of elastic fabric and lace.

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

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

IMPLICATIONS UNDER THE LISTING RULES

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, Dongguan Clothing is owned as to 50% by Mrs. Lu (the spouse of Mr. Lu and sister of Mr. Wu), 30% 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 Clothing is an associate of each of Mr. Lu, Mr. Zhang, Mr. Wu and Ms. Zheng 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 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 are more than 0.1% but less than 5%, the transaction contemplated under the Sales 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) and Ms. Zheng (a shareholder of Dongguan Clothing and the spouse of Mr. Zhang) has a material interest in the Sales Agreement, Mr. Lu, Mr. Zhang, Mr. Wu and Ms. Zheng have abstained from voting on the board resolutions approving the Sales 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:

“Annual Cap(s)”	the annual cap(s) for the continuing connected transaction contemplated under the Sales Agreement for the financial year(s) ending 31 December 2019, 2020, 2021 and/or 2022 (as the case may be)
“associate(s)”	has the meaning as ascribed to this term under the Listing Rules
“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 Clothing”	Dongguan Quality Clothing 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 50% by Mrs. Lu, 30% 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 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
“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. 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
“Previous Sales Agreement”	the sales agreement dated 3 May 2016 entered into between Dongguan BPT and Dongguan NHE (as suppliers) and Dongguan Clothing (as purchaser) in relation to sales of elastic fabric and elastic webbing by Dongguan BPT and Dongguan NHE respectively to Dongguan Clothing for a term of three years commencing from 4 May 2016 to 3 May 2019, details of which were disclosed in the announcement of the Company dated 3 May 2016
“Sales Agreement”	the agreement dated 3 May 2019 entered into between Dongguan BPT and Dongguan NHE (as suppliers) and Dongguan Clothing (as purchaser) in relation to sales of elastic fabric, elastic webbing, lace, printing and embroidery by Dongguan BPT, Dongguan NHE and any designated company of the Group respectively to Dongguan Clothing for a term of three years commencing from 4 May 2019 to 3 May 2022

“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\$1.16. 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, 3 May 2019

As at the date of this announcement, the Board comprises Mr. Lu Yuguang, Mr. Zhang Haitao, Mr. Wu Shaolun, Ms. Zheng Tingting, Mr. Cheung Yat Ming, Mr. Ding Baoshan* and Mr. Sai Chun Yu*.*

* *Independent non-executive Director*

^ *For identification purposes only*