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BEST PACIFIC

Best Pacific International Holdings Limited

超盈國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2111)

CONNECTED TRANSACTIONS ZHANG PENG AND XINSHA LEASE AGREEMENTS

The Zhang Peng Lease Agreement

Reference is made to the Announcement.

In contemplation of the expiry of the Previous Zhang Peng Lease Agreement on 30 September 2021 and the need of additional production area to cope with business growth of the Group, the Board announces that on 30 September 2021, Dongguan BPT (as lessee) entered into the Zhang Peng Lease Agreement with Dongguan PF (as lessor), pursuant to which Dongguan PF has agreed to lease to Dongguan BPT the Property A for a term of three years commencing on 1 October 2021 to 30 September 2024 and the Property B for a term of thirty months commencing on 1 April 2022 to 30 September 2024.

The Xinsha Lease Agreements

The Board is also pleased to announce that on 30 September 2021, Dongguan NHE or Dongguan BPT (as lessee) entered into the Xinsha Lease Agreements with Chin Lee (as lessor), pursuant to which Chin Lee has agreed to lease the Property C to Dongguan NHE and the Property D and the Property E to Dongguan BPT for a term of three years commencing on 1 October 2021 to 30 September 2024.

Implications under the Listing Rules

Dongguan BPT and Dongguan NHE are indirectly wholly-owned subsidiaries of the Company. As at the date of this announcement, Dongguan PF is owned as to 40% by Mrs. Lu (the spouse of Mr. Lu, the sister of Mr. Wu and the mother of Mr. Lu Libin), 40% by Ms. Zheng (an executive Director and the spouse of Mr. Zhang), 10% by Mr. Wu Junjie (the son of Mr. Wu) and 10% by Mr. Lu Canping (the nephew of Mr. Lu), respectively. On the other hand, as at the date of this announcement, Chin Lee is wholly-owned by Mr. Lu. Accordingly, Dongguan PF and Chin Lee are connected persons of the Company pursuant to Rule 14A.07 of the Listing Rules, and the transaction contemplated under each of the Zhang Peng Lease Agreement and Xinsha Lease Agreements constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the Zhang Peng Lease Agreement and the Xinsha Lease Agreements, on the basis of the estimated values of the right-of-use asset, are more than 0.1% but less than 5%, the Zhang Peng Lease Agreement and the Xinsha Lease Agreements are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE ZHANG PENG LEASE AGREEMENT

Principal terms of the Zhang Peng Lease Agreement are summarised below.

Date	:	30 September 2021
Parties	:	(i) Dongguan BPT, an indirect wholly-owned subsidiary of the Company (as lessee) (ii) Dongguan PF (as lessor)
Location and size	:	The Zhang Peng Properties consist of the Property A and the Property B, with a leasing area of approximately 21,868 sq.m. and approximately 61,725 sq.m. respectively, which are located at Zhang Peng Village, Machong Town, Dongguan City, the PRC, with a total leasing area of approximately 83,593 sq.m.
Term	:	The Property A has a lease term of three years commencing on 1 October 2021 to 30 September 2024 and the Property B has a lease term of thirty months commencing on 1 April 2022 to 30 September 2024.
Use	:	The Zhang Peng Properties will be used by Dongguan BPT for its daily production and operational use.
Rent, security deposit and prepayment	:	Under the Zhang Peng Lease Agreement, the monthly rent shall be RMB546,700 (equivalent to approximately HK\$656,313) for the Property A and RMB1,604,850 (equivalent to approximately HK\$1,926,622) for the Property B.

Pursuant to the Zhang Peng Lease Agreement, from 1 October 2022 onwards, the parties may re-negotiate on the amount of rent with reference to the prevailing market rents for similar premises in the same or nearby areas or similar locations in the PRC, provided that the monthly rent for the period from 1 October 2022 to 30 September 2023 and the period from 1 October 2023 to 30 September 2024 in respect of the Zhang Peng Properties shall not exceed RMB2,366,705 (equivalent to approximately HK\$2,841,229) and RMB2,603,375.5 (equivalent to approximately HK\$3,125,352) respectively and the terms shall be on normal commercial terms and no less favourable to the Group than those available from Independent Third Parties.

Dongguan BPT shall pay the rent to Dongguan PF in cash on or before the fifteenth day of the next calendar month, provided that Dongguan PF shall have issued the relevant invoice.

Pursuant to the Zhang Peng Lease Agreement, Dongguan BPT shall also pay the following to Dongguan PF:

- (a) within 10 days upon the signing date of the Zhang Peng Lease Agreement, four months of rent for the Property A and the Property B, being RMB8,606,200 (equivalent to approximately HK\$10,331,743) in total, as security deposit for leasing the Property A and the Property B respectively; and
- (b) within 10 days upon the respective commencement date of the lease term for the Property A and the Property B, one month of the rent for the Property A (i.e. RMB546,700 or equivalent to approximately HK\$656,313) or the Property B (i.e. RMB1,604,850 or equivalent to approximately HK\$1,926,622) (as the case may be), as prepayment.

Other charges : Dongguan BPT shall be responsible for all the utility charges (i.e. water and electricity) in respect of the Zhang Peng Properties.

Other terms and conditions : In the event that the Property B, upon being handed over to Dongguan BPT, the property itself, associated facilities or renovation of which do(es) not meet the requirements of Dongguan BPT, Dongguan BPT shall be entitled to decide not to lease the Property B. In such case Dongguan PF shall return the security deposit in respect of the Property B to Dongguan BPT immediately, after which the provisions relating to the leasing of the Property B shall automatically terminate.

Dongguan BPT and Dongguan PF shall negotiate three months before the expiry of the Zhang Peng Lease Agreement on whether to continue to lease the Zhang Peng Properties.

Dongguan PF has agreed to give priority to Dongguan BPT over other third parties for leasing the Zhang Peng Properties.

THE XINSHA LEASE AGREEMENTS

Principal terms of the lease agreement between Dongguan NHE and Chin Lee in relation to the Property C are summarised below.

Date	:	30 September 2021
Parties	:	(i) Dongguan NHE, an indirect wholly-owned subsidiary of the Company (as lessee) (ii) Chin Lee (as lessor)
Location and size	:	The property is located at Xinsha Port Industrial Park, Machong Town, Dongguan City, the PRC, with a total leasing area of approximately 2,534 sq.m., comprising half of the leasing area of the ground floor, the second floor and the third floor of the three-storey property where the Property D is also located (more details below).
Term	:	A lease term of three years commencing on 1 October 2021 to 30 September 2024.
Use	:	The Property C will be used as showroom and administrative offices.
Rent	:	Under the lease agreement, the monthly rent during the financial year ending 31 December 2021 shall be RMB76,020 (equivalent to approximately HK\$91,262). The parties may re-negotiate on the amount of the rent for the financial year(s) ending 31 December 2022, 2023 and/or 2024 with reference to the prevailing market rents for similar premises in the same or nearby areas or similar locations in the PRC, provided that the monthly rent payable during the financial years ending 31 December 2022, 2023 and 2024 shall not exceed RMB83,622, RMB91,984.2 and RMB101,106.6 respectively (equivalent to approximately HK\$100,388, HK\$110,427 and HK\$121,378 respectively), and the terms shall be on normal commercial terms and no less favourable to the Group than those available from Independent Third Parties.

Dongguan NHE shall pay the rent to Chin Lee in cash on or before the tenth day of the next calendar month.

Other charges : Dongguan NHE shall be responsible for the utility charges and insurance in respect of the Property C.

Other terms and conditions : Pursuant to the lease agreement, either party may terminate the agreement by giving three months prior notice to the other party.

Chin Lee has agreed to give priority to Dongguan NHE over other third parties for leasing the Property C upon expiry of the lease agreement.

Principal terms of the lease agreement between Dongguan BPT and Chin Lee in relation to the Property D are summarised below.

Date : 30 September 2021

Parties : (i) Dongguan BPT, an indirect wholly-owned subsidiary of the Company (as lessee)

(ii) Chin Lee (as lessor)

Location and size : The property is located at Xinsha Port Industrial Park, Machong Town, Dongguan City, the PRC, with a total leasing area of approximately 458 sq.m., comprising half of the leasing area of the ground floor of the three-storey property where the Property C is also located.

Term : A lease term of three years commencing on 1 October 2021 to 30 September 2024.

Use : The Property D will be used as showroom.

Rent : Under the lease agreement, the monthly rent during the financial year ending 31 December 2021 shall be RMB13,740 (equivalent to approximately HK\$16,495). The parties may re-negotiate on the amount of the rent for the financial year(s) ending 31 December 2022, 2023 and/or 2024 with reference to the prevailing market rents for similar premises in the same or nearby areas or similar locations in the PRC, provided that the monthly rent payable during the financial years ending 31 December 2022, 2023 and 2024 shall not exceed RMB15,114, RMB16,625.4 and RMB18,274.2 respectively (equivalent to approximately HK\$18,144, HK\$19,959 and HK\$21,938 respectively), and the terms shall be on normal commercial terms and no less favourable to the Group than those available from Independent Third Parties.

Dongguan BPT shall pay the rent to Chin Lee in cash on or before the tenth day of the next calendar month.

Other charges : Dongguan BPT shall be responsible for the utility charges and insurance in respect of the Property D.

Other terms and conditions : Pursuant to the lease agreement, either party may terminate the agreement by giving three months prior notice to the other party.

Chin Lee has agreed to give priority to Dongguan BPT over other third parties for leasing the Property D upon expiry of the lease agreement.

Principal terms of the lease agreement between Dongguan BPT and Chin Lee in relation to the Property E are summarised below.

Date : 30 September 2021

Parties : (i) Dongguan BPT, an indirect wholly-owned subsidiary of the Company (as lessee)

(ii) Chin Lee (as lessor)

Location and size : The building is located at Xinsha Port Industrial Park, Machong Town, Dongguan City, the PRC, with a total leasing area of approximately 4,704 sq.m..

Term : A lease term of three years commencing on 1 October 2021 to 30 September 2024.

Use : The Property E will be used as warehouse.

Rent : Under the lease agreement, the monthly rent during the financial year ending 31 December 2021 shall be RMB164,640 (equivalent to approximately HK\$197,650). The parties may re-negotiate on the amount of the rent for the financial year(s) ending 31 December 2022, 2023 and/or 2024 with reference to the prevailing market rents for similar premises in the same or nearby areas or similar locations in the PRC, provided that the monthly rent payable during the financial years ending 31 December 2022, 2023 and 2024 shall not exceed RMB181,104, RMB199,214.4 and RMB219,135.8 respectively (equivalent to approximately HK\$217,415, HK\$239,157 and HK\$263,073 respectively), and the terms shall be on normal commercial terms and no less favourable to the Group than those available from Independent Third Parties.

Dongguan BPT shall pay the rent to Chin Lee in cash on or before the tenth day of the next calendar month.

- Other charges : Dongguan BPT shall be responsible for the utility charges and insurance in respect of the Property E.
- Other terms and conditions : Pursuant to the lease agreement, either party may terminate the agreement by giving three months prior notice to the other party.
- Chin Lee has agreed to give priority to Dongguan BPT over other third parties for leasing the Property E upon expiry of the lease agreement.

BASIS FOR DETERMINATION OF THE RENTALS UNDER THE ZHANG PENG AGREEMENT AND THE XINSHA LEASE AGREEMENTS

The rentals under the Zhang Peng Lease Agreement and the Xinsha Lease Agreements were determined after arm's length negotiations between the respective parties thereto and with reference to (i) (where applicable) the historical rents of the Property A; (ii) the prevailing market rents for similar premises in the same or nearby areas or similar locations in the PRC; (iii) the condition of the leased properties, including but not limited to the location and the facilities associated therewith; (iv) the terms and conditions of the relevant lease agreement; and (v) the historical trend and the expected increase in the rents in the PRC property market and inflation.

Payment of the rents under the Zhang Peng Lease Agreement and the Xinsha Lease Agreements will be funded by internal resources of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ZHANG PENG LEASE AGREEMENT AND THE XINSHA LEASE AGREEMENTS

The Zhang Peng Properties are located near the production plants of Dongguan BPT in Dongguan City, thus providing easy transportation access to the production plants. In contemplation of the expiry of the Previous Zhang Peng Lease Agreement on 30 September 2021 and the need of additional production area to cope with business growth of the Group, Dongguan BPT entered into the Zhang Peng Lease Agreement with Dongguan PF in respect of the Zhang Peng Properties for a term up to 30 September 2024.

On the other hand, taking into consideration that the Xinsha Properties are also located near the production plants of Dongguan BPT in Dongguan City, which is fit for use as the Group's showroom, administration offices and warehouse, Dongguan NHE and Dongguan BPT entered into the Xinsha Lease Agreements with Chin Lee, respectively, for a term up to 30 September 2024.

The Zhang Peng Lease Agreement and the Xinsha Lease Agreements secure the amount of rent payable by Dongguan BPT and Dongguan NHE in the medium term and avoid increases in rent in accordance with the expected appreciation in the value of the leased properties. Entering into the Zhang Peng Lease Agreement and the Xinsha Lease Agreements also provides the Group with the stability in further renewal of the leases.

In view of the above, the Directors (including the independent non-executive Directors) consider that the terms of each of the Zhang Peng Lease Agreement and the Xinsha Lease Agreements are fair and reasonable, on normal commercial terms, and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

ESTIMATED VALUES OF THE RIGHT-OF-USE ASSET IN RESPECT OF THE ZHANG PENG LEASE AGREEMENT AND THE XINSHA LEASE AGREEMENTS

Pursuant to HKFRS 16, the Group is required to recognise a right-of-use asset representing its right to use for the underlying leased Zhang Peng Properties and Xinsha Properties in relation to the Zhang Peng Lease Agreement and the Xinsha Lease Agreements, respectively. Based on the information currently available to the Company, the estimated values of the right-of-use asset in respect of the Zhang Peng Lease Agreement and the Xinsha Lease Agreements are approximately RMB62,663,858 (equivalent to approximately HK\$75,227,961) and approximately RMB9,345,559 (equivalent to approximately HK\$11,219,344), respectively.

INFORMATION ON THE GROUP

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

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

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

INFORMATION ON DONGGUAN PF AND CHIN LEE

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

Chin Lee is principally engaged in property leasing.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Dongguan PF is owned as to 40% by Mrs. Lu (the spouse of Mr. Lu, the sister of Mr. Wu and the mother of Mr. Lu Libin), 40% by Ms. Zheng (an executive Director and the spouse of Mr. Zhang), 10% by Mr. Wu Junjie (the son of Mr. Wu) and 10% by Mr. Lu Canping (the nephew of Mr. Lu), respectively. On the other hand, as at the date of this announcement, Chin Lee is wholly-owned by Mr. Lu. Accordingly, Dongguan PF and Chin Lee are connected persons of the Company pursuant to Rule 14A.07 of the Listing Rules, and the transaction contemplated under each of the Zhang Peng Lease Agreement and the Xinsha Lease Agreements constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the Zhang Peng Lease Agreement and the Xinsha Lease Agreements, on the basis of the estimated values of the right-of-use asset, are more than 0.1% but less than 5%, the Zhang Peng Lease Agreement and the Xinsha Lease Agreements are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

As Mr. Lu (the sole shareholder of Chin Lee) and Mr. Lu Libin (the son of Mr. Lu) has a material interest in the Xinsha Lease Agreements, Mr. Lu and Mr. Lu Libin have abstained from voting on the resolutions of the Board approving the Xinsha Lease 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:

“Announcement”	the announcement of the Company dated 28 September 2018
“Board”	the board of Directors
“Chin Lee”	Chin Lee Steel Industry Company Limited^ (群力鋼鐵企業股份有限公司), a company incorporated in the PRC with limited liability and is wholly owned by Mr. Lu
“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
“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
“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, an executive Director and the son of Mr. Lu and Mrs. Lu
“Mr. Wu”	Mr. Wu Shaolun, an executive Director and the brother of Mrs. Lu
“Mr. Zhang”	Mr. Zhang Haitao, the chief executive officer of the Group and an executive Director, and the spouse of Ms. Zheng

“Mrs. Lu”	Ms. Wu Wanxiong, the spouse of Mr. Lu, the sister of Mr. Wu and the mother of Mr. Lu Libin
“Ms. Zheng”	Ms. Zheng Tingting, 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 Zhang Peng Lease Agreement”	the lease agreement dated 28 September 2018 entered into between Dongguan PF as lessor and Dongguan BPT as lessee in respect of the Property A for a term of three years commencing on 1 October 2018 to 30 September 2021, details of which were disclosed in the Announcement (as defined as Machong Lease Agreement therein)
“Property A”	the property located at Zhang Peng Village, Machong Town, Dongguan City, the PRC, with a total leasing area of approximately 21,868 sq.m.
“Property B”	the property located at Zhang Peng Village, Machong Town, Dongguan City, the PRC, with a total leasing area of approximately 61,725 sq.m.
“Property C”	the property located at Xinsha Port Industrial Park, Machong Town, Dongguan City, the PRC, with a total leasing area of approximately 2,534 sq.m., comprising half of the leasing area of the ground floor, the second floor and the third floor of the three-storey property where the Property D is also located
“Property D”	the property located at Xinsha Port Industrial Park, Machong Town, Dongguan City, the PRC, with a total leasing area of approximately 458 sq.m., comprising half of the leasing area of the ground floor of the three-storey property where the Property C is also located
“Property E”	the building located at Xinsha Port Industrial Park, Machong Town, Dongguan City, the PRC, with a total leasing area of approximately 4,704 sq.m.
“RMB”	Renminbi, the lawful currency of the PRC

“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)
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xinsha Lease Agreements”	the three lease agreements dated 30 September 2021 entered into between Chin Lee as lessor and Dongguan NHE or Dongguan BPT as lessee in respect of the Xinsha Properties for a term of three years commencing on 1 October 2021 to 30 September 2024
“Xinsha Properties”	the Property C, the Property D and the property E, with a total leasing area of approximately 7,696 sq.m.
“Zhang Peng Lease Agreement”	a lease agreement dated 30 September 2021 entered into between Dongguan PF as lessor and Dongguan BPT as lessee in respect of the Property A for a term of three years commencing on 1 October 2021 to 30 September 2024 and in respect of the Property B for a term of thirty months commencing on 1 April 2022 to 30 September 2024
“Zhang Peng Properties”	the Property A and the Property B, with a total leasing area of approximately 83,593 sq.m.
“%”	per cent

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\$1.2005. Such conversion should not be construed as a representation that any amount has been, could have been or may be exchanged at this or at any other rate.

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

Hong Kong, 30 September 2021

As at the date of this announcement, the Board comprises Mr. Lu Yuguang, Mr. Zhang Haitao, Mr. Wu Shaolun, Ms. Zheng Tingting, Mr. Chan Yiu Sing, Mr. Lu Libin, Mr. Cheung Yat Ming, Mr. Ding Baoshan* and Mr. Kuo Dah Chih, Stanford*.*

* *Independent non-executive Director*

^ *For identification purposes only*