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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 2022, the Board announces that on 3 May 2022, Dongguan BPT and Dongguan NHE (as suppliers) entered into the Sales Agreement with Dongguan PF (as purchaser) in relation to the sale of elastic fabric, elastic webbing, lace, printing and embroidery for a term commencing on 4 May 2022 to 31 July 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 PF is owned as to 40% by Mrs. Lu (the spouse of Mr. Lu, mother of Mr. Lu Libin and sister of Mr. Wu), 40% by Ms. Zheng (an executive Director and the spouse of Mr. Zhang), 10% by Mr. Wu Junjie (the son of Mr. Wu) and 10% by Mr. Lu Canping (the nephew of Mr. Lu), respectively. Accordingly, Dongguan PF is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules, and 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 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.

#### BACKGROUND

The Group has been supplying elastic fabric, elastic webbing, lace, printing and embroidery to Dongguan PF and/or its subsidiaries since 4 May 2016, details of which were disclosed in the announcements of the Company dated 3 May 2016, 3 May 2019 and 30 June 2021. In contemplation of the expiry of the Previous Sales Agreement on 3 May 2022, the Board announces that on 3 May 2022, Dongguan BPT and Dongguan NHE (as suppliers) entered into the Sales Agreement with Dongguan PF (as purchaser) to renew the Previous Sales Agreement.

Principal terms of the Sales Agreement are summarised below.

## THE SALES AGREEMENT

- Date : 3 May 2022
- 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 PF (as purchaser)
- Term : From 4 May 2022 to 31 July 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 the Dongguan PF Group.
- Selling price and terms : Dongguan BPT, Dongguan NHE or any company of the Group designated by them (as supplier) shall confirm the selling price with the relevant company within the Dongguan PF Group (as purchaser) in writing for each order. Pursuant to the Sales Agreement, the selling price and terms for elastic fabric, elastic webbing, lace, printing and embroidery offered by Dongguan BPT, Dongguan NHE or any company of the Group designated by them to the Dongguan PF Group shall be agreed after arm's length negotiations between Dongguan BPT, Dongguan NHE or any company of the Group designated by them and the Dongguan PF Group based on normal commercial terms after taking into consideration (i) the historical and prevailing market price of the same and similar goods in the area, (ii) the historical and prevailing selling prices of the Group for the goods to Independent Third Party customers, (iii) the Group's cost of sale of the goods, (iv) the size of the orders, and (v) the credit worthiness of the Dongguan PF Group, and in any event shall be no more favourable than those offered to Independent Third Parties.
- Payment term : Dongguan BPT, Dongguan NHE or any company of the Group designated by them 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 the Dongguan PF Group during that calendar month, which shall be settled by the Dongguan PF Group via wire transfer within 90 days from the invoice date.
- Other terms and conditions : Pursuant to the Sales Agreement, the transactions contemplated under the Sales Agreement shall be on normal commercial terms.

## **HISTORICAL TRANSACTION AMOUNTS UNDER THE PREVIOUS SALES AGREEMENT**

The historical transaction amounts under the Previous Sales Agreement for the financial years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 are set out below:

	<b>From 4 May 2019 to 31 December 2019</b>	<b>For the financial year ended 31 December 2020</b>	<b>For the financial year ended 31 December 2021</b>	<b>From 1 January 2022 to 31 March 2022</b>
<b>Transaction amount</b>	RMB19,852,295	RMB42,564,786	RMB97,338,512	RMB36,854,245

## **CAP FOR THE SALES AGREEMENT**

The Cap for the transaction amounts under the Sales Agreement for the period from 4 May 2022 to 31 July 2022 shall to be RMB40,000,000 (equivalent to approximately HK\$47,084,000).

The Cap for the transaction amounts under the Sales Agreement was determined after considering (i) the historical transaction amounts of the same and similar goods purchased by the Dongguan PF Group under the Previous Sales Agreement, and (ii) the expected demand for the goods of the Dongguan PF Group during the term of the Sales Agreement.

## **PRICING POLICY AND INTERNAL CONTROL MEASURES**

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

In order to safeguard the interests of the Company and the Shareholders as a whole, the Company has adopted the following measures to monitor the transactions between Dongguan BPT, Dongguan NHE and/or any company of the Group designated by them (as suppliers) and the Dongguan PF Group (as purchasers) 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 or any company of the Group designated by them have maintained the sales record, consisting of selling price and terms, for the goods provided by them.
- (b) Upon request of a quotation by the Dongguan PF Group, the sales department will deliberate a quotation (or a range), which shall be determined with reference to the sales record of the same and similar goods provided, the prevailing selling price of the goods, the Group's cost of sale of the goods and the size of the order, and propose the same to the management for consideration.

- (c) The management will negotiate with the Dongguan PF Group to agree on the final price for the goods to be provided after taking into account of various factors including but not limited to the orders accepted by the Group, the stock in storage of the Group, the sales performance of the Group and the market conditions from time to time.
- (d) The Group has an internal audit system to trace, monitor and evaluate the transaction amounts under the Sales Agreement on a monthly basis to ensure that the Cap 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 and/or any company of the Group designated by them to the Dongguan PF Group under the Sales Agreement will be in accordance with the terms thereunder, on normal commercial terms, fair and reasonable to the Company and Shareholders as a whole.

#### **REASONS FOR AND BENEFITS OF ENTERING INTO THE SALES AGREEMENT**

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

In view of the above, the Directors (including the independent non-executive Directors) considers that (i) the terms of the Sales Agreement are on normal commercial terms that are fair and reasonable, (ii) the Cap is 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 PF 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 sales of elastic fabric and lace.

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

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

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Dongguan PF is owned as to 40% by Mrs. Lu (the spouse of Mr. Lu, mother of Mr. Lu Libin and sister of Mr. Wu), 40% by Ms. Zheng (an executive Director and the spouse of Mr. Zhang), 10% by Mr. Wu Junjie (the son of Mr. Wu) and 10% by Mr. Lu Canping (the nephew of Mr. Lu), respectively. Accordingly, Dongguan PF is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules, and 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 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), Ms. Zheng (a shareholder of Dongguan PF and the spouse of Mr. Zhang) and Mr. Lu Libin (the son of Mr. Lu and Mrs. Lu) has a material interest in the Sales Agreement, Mr. Lu, Mr. Zhang, Mr. Wu, Ms. Zheng and Mr. Lu Libin have abstained from voting on the board resolutions approving the Sales Agreement and the transactions contemplated thereunder.

## DEFINITIONS

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

<b>“associate(s)”</b>	has the meaning as ascribed to this term under the Listing Rules
<b>“Board”</b>	the board of Directors
<b>“Cap”</b>	the cap for the transactions contemplated under the Sales Agreement for the period from 4 May 2022 to 31 July 2022
<b>“Company”</b>	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
<b>“connected person(s)”</b>	has the meaning as ascribed to this term under the Listing Rules
<b>“controlling shareholder”</b>	has the meaning as ascribed to this term under the Listing Rules
<b>“Director(s)”</b>	the director(s) of the Company
<b>“Dongguan BPT”</b>	Dongguan Best Pacific Textile Company Limited <sup>^</sup> (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
<b>“Dongguan NHE”</b>	Dongguan New Horizon Elastic Fabric Company Limited <sup>^</sup> (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
<b>“Dongguan PF”</b>	Dongguan Premium Fashion Company Limited <sup>^</sup> (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
<b>“Dongguan PF Group”</b>	Dongguan PF and its associates from time to time
<b>“Group”</b>	the Company and its subsidiaries
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong

<b>“Hong Kong”</b>	Hong Kong Special Administrative Region of the PRC
<b>“Independent Third Party(ies)”</b>	person(s) or company(ies) which is/are third party(ies) independent of the Company and its connected persons
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Mr. Lu”</b>	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
<b>“Mr. Lu Libin”</b>	Mr. Lu Libin, the chief strategy officer of the Group and an executive Director
<b>“Mr. Wu”</b>	Mr. Wu Shaolun, an executive Director
<b>“Mr. Zhang”</b>	Mr. Zhang Haitao, the chief executive officer of the Group and an executive Director
<b>“Mrs. Lu”</b>	Ms. Wu Wanxiong, the spouse of Mr. Lu, mother of Mr. Lu Libin and sister of Mr. Wu
<b>“Ms. Zheng”</b>	Ms. Zheng Tingting, the chief operating officer of the Group, an executive Director and the spouse of Mr. Zhang
<b>“percentage ratio(s)”</b>	has the meaning as ascribed to this term under the Listing Rules
<b>“PRC”</b>	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
<b>“Previous Sales Agreement”</b>	the sales agreement dated 3 May 2019 entered into between Dongguan BPT and Dongguan NHE (as suppliers) and Dongguan PF (as purchaser), supplemented by a supplemental agreement dated 30 June 2021 entered into between the same parties, in relation to sales of elastic fabric, elastic webbing, lace, printing and embroidery by Dongguan BPT, Dongguan NHE and any company of the Group designated by them to Dongguan PF Group for a term of three years commencing on 4 May 2019 to 3 May 2022, details of which were disclosed in the Company’s announcements dated 3 May 2019 and 30 June 2021

<b>“Sales Agreement”</b>	the agreement dated 3 May 2022 entered into between Dongguan BPT and Dongguan NHE (as suppliers) and Dongguan PF (as purchaser) in relation to sales of elastic fabric, elastic webbing, lace, printing and embroidery by Dongguan BPT, Dongguan NHE and any company of the Group designated by them to Dongguan PF Group for a term from 4 May 2022 to 31 July 2022
<b>“Share(s)”</b>	ordinary share(s) of HK\$0.01 each in the share capital of the Company
<b>“Shareholder(s)”</b>	holder(s) of the Share(s)
<b>“Stock Exchange”</b>	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\$1.1771. 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 2022

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

\* *Independent non-executive Director*

^ *For identification purposes only*