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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 FRAMEWORK AGREEMENT

Reference is made to the Announcements.

Sales Framework Agreement

In contemplation of the expiry of the Previous Sales Framework Agreement on 31 July 2021 and to ensure the continuous supply of the Products by BPTHL Group to MAS Group, the Board announces that on 30 June 2021, BPTHL and the JV Partner entered into the Sales Framework Agreement to renew the Previous Sales Framework Agreement, in relation to the sale of the Products by BPTHL Group to MAS Group for a term from 1 August 2021 to 31 December 2022.

Listing rules implications

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

As (i) the Board has approved the Sales Framework Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the Sales Framework Agreement (including the 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 is 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.

Reference is made to the Announcements.

THE SALES FRAMEWORK AGREEMENT

BPTHL Group has been supplying the Products to MAS Group since 1 August 2018 pursuant to the Previous Sales Framework Agreement, details of which were disclosed in the Announcements. In contemplation of the expiry of the Previous Sales Framework Agreement on 31 July 2021, the Board announces that on 30 June 2021, BPTHL and the JV Partner entered into the Sales Framework Agreement to renew the Previous Sales Framework Agreement.

Principal terms of the Sales Framework Agreement are summarised below.

- Date : 30 June 2021
- Parties : (i) BPTHL
(ii) the JV Partner
- Term : From 1 August 2021 to 31 December 2022 (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 the 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, the Products to be supplied, specifications, quantity, price, delivery method and payment arrangement.
- Pricing basis for : Subject to the Annual Caps, the prices to be charged by BPTHL Group the Products in respect of the supply of the Products will be negotiated at arm's length basis which will be determined with reference to the market price of the Products and the operation costs incurred by BPTHL Group for supplying the 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 as may be agreed to by BPTHL and the JV Partner.

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, provided that the JV Company is able to meet the price, quality, specifications and other requirements of the customers of the JV Partner.

Renewal : BPTHL and the JV Partner may mutually agree in writing to renew the Sales Framework Agreement for a further term of three years no less than three months prior to the expiration of the Sales Framework Agreement, 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.

Historical Transaction Amounts under the Previous Sales Framework Agreement

The historical transaction amounts under the Previous Sales Framework Agreement for the financial years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021 are set out below:

	For the year ended 31 December 2018 (From 1 August 2018 to 31 December 2018)	For the year ended 31 December 2019 (From 1 January 2019 to 31 December 2019)	For the year ended 31 December 2020 (From 1 January 2020 to 31 December 2020)	From 1 January 2021 to 31 May 2021
Historical transaction amounts	US\$33,108,650 (audited)	US\$64,792,171 (audited)	US\$54,901,393 (audited)	US\$30,346,755 (unaudited)

Annual Caps for the Sales Framework Agreement

The Annual Caps for the transaction amounts under the Sales Framework Agreement for the period ending 31 December 2021 and financial year ending 31 December 2022 are set out below:

	For the period ending 31 December 2021 (From 1 August 2021 to 31 December 2021)	For the year ended 31 December 2022 (From 1 January 2022 to 31 December 2022)
Annual Caps	US\$50,000,000 (equivalent to approximately HK\$390,000,000)	US\$115,000,000 (equivalent to approximately HK\$897,000,000)

The Annual Caps were determined based on (i) the historical transaction amounts of the sales of the Products by BPTHL Group to MAS Group under the Previous Sales Framework Agreement for the financial year ended 31 December 2020 and the five months ended 31 May 2021; and (ii) certain buffers to allow for any further increase in the sales volume and/or selling prices of the Products as anticipated by the management.

INTERNAL CONTROL AND PRICING POLICIES

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

- (a) the prices to be charged by BPTHL Group in respect of the supply of the 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 the Products and the operation costs incurred by BPTHL Group for supplying the 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; (ii) conduct regular checks to review and assess whether the transactions between BPTHL Group and MAS Group are conducted in accordance with the terms of the Sales Framework Agreement; and (iii) regularly update the market price of the Products for the purpose of considering if the selling prices of the Products charged by BPTHL Group are fair and reasonable and in accordance with the aforesaid pricing policy;
- (c) The Group has an internal audit system to trace, monitor and evaluate the transaction amount under each of the agreements regularly to ensure that the respective Annual Caps will not be exceeded; and
- (d) The Group will comply with the annual review requirements in respect of the transactions contemplated under the agreements 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 Framework 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 transactions contemplated under the Sales Framework Agreement will be in accordance with the terms thereunder and the above pricing principles, on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole.

REASONS FOR THE TRANSACTIONS

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. It is also one of the largest apparel and textile manufacturers in South Asia. Over the years, BPTHL Group has been supplying the Products to MAS Group. In August 2018, the Group entered into a strategic partnership with the JV Partner by establishing the JV Company, and BPTHL and the JV Partner entered into the Previous Sales Framework Agreement in relation to the supply of the Products from BPTHL Group to MAS Group for a period of three years commencing on 1 August 2018. In order to ensure continuous supply of the Products to MAS Group upon the expiry of the Previous Sales Framework Agreement, BPTHL and the JV Partner entered into the Sales Framework Agreement for a term from 1 August 2021 to 31 December 2022 (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 agreed that BPTHL Group will be its most preferred supplier of the Products and will procure BPTHL Group to be MAS Group's most preferred supplier of the Products, whilst the selling price of the 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.

The terms of each of the Sales Framework Agreement (including the Annual Caps) were determined after arm's length negotiations between the respective parties thereto. In view of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Sales Framework Agreement (including the Annual Caps) are fair and reasonable, on normal commercial terms, 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 THE JV COMPANY

The 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 which is principally engaged in the manufacture of warp and weft knitted fabric, fabric printing, and the importation of yarn and greige fabric and complementary accessories for dyeing and finishing for export.

INFORMATION ON THE JV PARTNER

The JV Partner is a company incorporated under the laws of Sri Lanka. It is a direct wholly-owned subsidiary of MAS Holdings. It is a regional operating headquarter holding various subsidiaries carrying out manufacturing and export of garments and textiles.

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. It is also one of the largest apparel and textile manufacturers 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 trustee.

IMPLICATIONS UNDER THE LISTING RULES

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

As (i) the Board has approved the Sales Framework Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the Sales Framework Agreement (including the 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 is 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.

No Director has any material interest in the Sales Framework Agreement and the transactions contemplated thereunder and therefore, no Director has abstained from voting on the board resolutions approving the Sales Framework 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:

“Announcements”	the announcements of the Company dated 4 December 2017 and 31 December 2019 in relation to, among other things, the Previous Sales Framework Agreement
“Annual Cap(s)”	the annual cap(s) for the transactions contemplated under the Sales Framework Agreement for the period ending 31 December 2021 and the financial year ending 31 December 2022
“associate(s)”	has the meaning as ascribed to this term under the Listing Rules
“Board”	the board of Directors
“BPSL (Thulhiriya)”	Best Pacific International Sri Lanka (Thulhiriya) Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“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
“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
“JV Company”	Trischel Fabric (Private) Limited, a company incorporated in Sri Lanka with limited liability
“JV Group”	the JV Company and its subsidiaries
“JV Partner” or “MAS Capital”	MAS Capital (Private) Limited, a company incorporated in Sri Lanka with limited liability and a direct wholly-owned subsidiary of MAS Holdings
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MAS Group”	the JV Partner and its associates (including MAS Holdings and its subsidiaries) from time to time
“MAS Holdings”	MAS Holdings (Private) Limited, a company incorporated in Sri Lanka with limited liability and the holding company of the JV Partner, which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is held under a trust by the name of Jacey Trust Services (Private) Limited as trustee
“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 Framework Agreement”	the framework agreement dated 4 December 2017 entered into between BPTH and the JV Partner in relation to the supply of the Products by BPTH Group to MAS Group as supplemented by a supplemental agreement dated 31 December 2019

“ Products ”	synthetic textiles and textile related products manufactured by BPTHL Group from time to time which shall include synthetic fabrics
“ Sales Framework Agreement ”	the framework agreement dated 30 June 2021 entered into between BPTHL and the JV Partner in relation to the supply of the Products by BPTHL Group to MAS Group
“ 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)
“ Sri Lanka ”	the Democratic Socialist Republic of Sri Lanka
“ Stock Exchange ”	The Stock Exchange of Hong Kong Limited
“ substantial shareholder ”	has the meaning as ascribed to this term under the Listing Rules
“ US\$ ”	United States dollars, the lawful currency of the United States of America
“ % ”	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 have been, could have been, or may be, exchanged at this or any other rate.

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

Hong Kong, 30 June 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*