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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 RENEWAL OF BAIHAO LEASE AGREEMENTS AND HUMEN LEASE AGREEMENT

Renewal of Baihao Lease Agreements and Humen Lease Agreement

Reference is made to the Announcement relating to the Previous Baihao Lease Agreements and the Previous Humen Lease Agreement entered into between Dongguan NHE and Humen Branch of Dongguan NHE with Mr. Lu, respectively. To ensure the continuous use of the Baihao Buildings and the Humen Buildings as the Group's administration offices, production plants and staff dormitories, the Board announces that on 31 March 2023, Dongguan NHE and Humen Branch of Dongguan NHE entered into the Baihao Lease Agreements and the Humen Lease Agreement with Mr. Lu, respectively. pursuant to which Mr. Lu has agreed to lease the Baihao Buildings and the Humen Buildings to Dongguan NHE for a term of three years commencing from 1 April 2023 to 31 March 2026.

Implications under the Listing rules

Dongguan NHE is an indirect wholly-owned subsidiary of the Company. As at the date of this announcement, Mr. Lu is the Chairman, executive Director and 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. Accordingly, Mr. Lu is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules and the transaction contemplated under each of the 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 Lease Agreements, on the basis of the estimated values of the right-of-use asset in respect of the Baihao Lease Agreements and the Humen Lease Agreement and upon aggregation, are more than 0.1% but less than 5%, the Lease Agreements are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the Announcement relating to the Previous Baihao Lease Agreements and the Previous Humen Lease Agreement entered into between Dongguan NHE and Humen Branch of Dongguan NHE with Mr. Lu, respectively. Pursuant to the Previous Lease Agreements, the lease term between Dongguan NHE and Human Branch of Dongguan NHE (as lessees) and Mr. Lu (as lessor) commenced on 1 April 2020 and will expire on 31 March 2023. To ensure the continuous use of the Baihao Buildings and the Humen Buildings as the Group's administration offices, production plants and staff dormitories, the Board announces that on 31 March 2023, the relevant parties entered into the Baihao Lease Agreements and the Humen Lease Agreement to renew the Previous Lease Agreements.

Principal terms of the Lease Agreements are summarised below.

THE BAIHAO LEASE AGREEMENTS

The Baihao Lease Agreements consist of two agreements, one of which covers a gross floor area of approximately 10,370 sq.m. among the Baihao Buildings for use as administration offices and production plants whereas the other of which covers a gross floor area of approximately 7,000 sq.m. among the Baihao Buildings for use as a staff dormitory of the Group. Save as the aforesaid, the terms of the Baihao Lease Agreements are substantially the same.

Date	:	31 March 2023
Parties	:	(i) Dongguan NHE, an indirect wholly-owned subsidiary of the Company, as lessee (ii) Mr. Lu, as lessor
Term	:	Three years commencing from 1 April 2023 to 31 March 2026.
Details of the Baihao Buildings	:	The Baihao Buildings consist of certain buildings situated at Baihao Industrial Zone, Houjie Town, Guangdong Province, the PRC with a total gross floor area of approximately 17,370 sq.m..
Use of the Baihao Buildings	:	Among the Baihao Buildings, approximately 10,370 sq.m. will be used as administration offices and production plants and approximately 7,000 sq.m. will be used as a staff dormitory of the Group.
Rent Free Period	:	Three months' rent free period from 1 April 2023 to 30 June 2023, during which Dongguan NHE shall not be required to pay any monthly rent

Rent : Under the Baihao Lease Agreements, based on monthly rent of RMB18.15 per square meter, the total monthly rent during the financial year ending 31 December 2023 shall be RMB315,266 (equivalent to approximately HK\$360,318). The parties may re-negotiate the amount of the rents for the financial year(s) ending 31 December 2024, 2025 and/or 2026 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 total monthly rent payable during the financial years ending 31 December 2024, 2025 and 2026 shall not exceed RMB346,879, RMB381,619 and RMB419,833 respectively (equivalent to approximately HK\$396,448, HK\$436,152 and HK\$479,827 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 Mr. Lu in cash on or before the tenth day of the next calendar month.

Other charges : Dongguan NHE shall be responsible for all the utility charges and insurance in respect of the Baihao Buildings.

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

Mr. Lu has agreed to give priority to Dongguan NHE over other third parties for leasing the Baihao Buildings upon expiry of the Baihao Lease Agreements.

THE HUMEN LEASE AGREEMENT

Date : 31 March 2023

Parties : (i) Humen Branch of Dongguan NHE, for and on behalf of Dongguan NHE as lessee
(ii) Mr. Lu, as lessor

Term : Three years commencing from 1 April 2023 to 31 March 2026.

Details of the Humen Buildings : The Humen Buildings consist of certain buildings situated at Jinzhou Second Industrial Zone, Humen Town, Guangdong Province, the PRC with a total gross floor area of approximately 5,835 sq.m.

Use of the Humen Buildings : Among the Humen Buildings, approximately 3,826 sq.m. will be used as a production plant and approximately 2,009 sq.m. will be used as a staff dormitory of the Group.

- Rent Free Period** : Three months' rent free period from 1 April 2023 to 30 June 2023, during which Dongguan NHE shall not be required to pay any monthly rent
- Rent** : Under the Humen Lease Agreement, based on monthly rent of RMB18.15 per square meter, the monthly rent during the financial year ending 31 December 2023 shall be RMB105,905 (equivalent to approximately HK\$121,039). The parties may re-negotiate the amount of the rent for the financial year(s) ending 31 December 2024, 2025 and/or 2026 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 2024, 2025 and 2026 shall not exceed RMB116,525, RMB128,195 and RMB141,032 respectively (equivalent to approximately HK\$133,176, HK\$146,514 and HK\$161,185 respectively), and the terms shall be on normal commercial terms and no less favourable to the Group than those available from Independent Third Parties.
- Humen Branch of Dongguan NHE shall pay the rent to Mr. Lu in cash on or before the tenth day of the next calendar month.
- Other charges** : Humen Branch of Dongguan NHE shall be responsible for all the utility charges and insurance in respect of the Humen Buildings.
- Other terms and conditions** : Pursuant to the Humen Lease Agreement, either party may terminate the agreement by giving three months prior notice to the other party.
- Mr. Lu has agreed to give priority to Humen Branch of Dongguan NHE over other third parties for leasing the Humen Buildings upon expiry of the Humen Lease Agreement.

PRICING BASIS FOR THE LEASE AGREEMENTS

The rental under the Baihao Lease Agreements and the Humen Lease Agreement were determined after arm's length negotiations between the respective parties thereto and with reference to (i) the historical rents of the Baihao Buildings and the Humen Buildings respectively; (ii) the prevailing market rents for similar premises in the same or nearby areas or similar locations in the PRC; (iii) the terms and conditions of the Baihao Lease Agreements and the Humen Lease Agreement respectively; and (iv) the historical trend and the expected increase in the rents in the PRC property market and inflation.

FINANCIAL INFORMATION OF THE BAIHAO BUILDINGS AND THE HUMEN BUILDINGS

The rental amounts under the Previous Lease Agreements for the financial years ended 31 December 2020, 2021 and 2022 and for the period from 1 January to 28 February 2023 are set out below:

Rental amount (RMB)	For the financial year ended 31 December			For the period from 1 January 2023 to 28 February 2023
	2020 (from 1 April 2020 to 31 December 2020)	2021 (from 1 January 2021 to 31 December 2021)	2022 (from 1 January 2022 to 31 December 2022)	
Previous Baihao Lease Agreements	2,837,394	3,783,192	3,783,192	630,532
Previous Humen Lease Agreement	953,145	1,270,860	1,270,860	211,810
Aggregate	3,790,539	5,054,052	5,054,052	842,342

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENTS

In view of the expiry of the Previous Lease Agreements and with a view to ensuring the continuous use of the Baihao Buildings and the Humen Buildings as the Group's administration offices, production plants and staff dormitories, Dongguan NHE and Humen Branch of Dongguan NHE entered into the Baihao Lease Agreements and the Humen Lease Agreement with Mr. Lu, respectively, to renew the Previous Lease Agreements for another term of three years up to 31 March 2026.

The Directors (including the independent non-executive Directors) consider that the terms of the 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 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 Baihao Buildings and Humen Buildings in relation to the Lease Agreements. Based on the information currently available to the Company, the estimated values of the right-of-use asset in respect of the Baihao Lease Agreements and the Humen Lease Agreement are approximately RMB10,449,000 (equivalent to approximately HK\$11,942,000) and approximately RMB3,510,000 (equivalent to approximately HK\$4,012,000), respectively.

Payment of the rents under the Lease Agreements will be funded by internal resources of the Group.

INFORMATION ON THE GROUP AND DONGGUAN NHE

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

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

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Lu is the Chairman, executive Director and 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. Accordingly, Mr. Lu is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules and the transaction contemplated under each of the 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 Lease Agreements, on the basis of the estimated values of the right-of-use asset in respect of the Baihao Lease Agreements and the Humen Lease Agreement and upon aggregation, are more than 0.1% but less than 5%, the Lease Agreements are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

In view of Mr. Lu's interests in the Lease Agreements, Mr. Lu and Mr. Lu Libin, the Chief Strategy Officer and executive Director of the Company and the son of Mr. Lu, have abstained from voting on the board resolutions approving the 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 31 March 2020
“Baihao Buildings”	certain buildings situated at Baihao Industrial Zone, Houjie Town, Guangdong Province, the PRC with a total gross floor area of approximately 17,370 sq.m., of which approximately 10,370 sq.m. will be used as administration offices and production plants and approximately 7,000 sq.m. will be used as a staff dormitory of the Group
“Baihao Lease Agreements”	the two lease agreements both dated 31 March 2023 entered into between Dongguan NHE (as lessee) and Mr. Lu (as lessor) in relation to the lease of the Baihao Buildings for a term of three years commencing from 1 April 2023 to 31 March 2026
“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 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
“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

“Humen Buildings”	certain buildings situated at Jinzhou Second Industrial Zone, Humen Town, Guangdong Province, the PRC with a total gross floor area of approximately 5,835 sq.m., of which approximately 3,826 sq.m. will be used as a production plant and approximately 2,009 sq.m. will be used as a staff dormitory of the Group
“Humen Lease Agreement”	the lease agreement dated 31 March 2023 entered into between Humen Branch of Dongguan NHE (for and on behalf of Dongguan NHE as lessee) and Mr. Lu (as lessor) in relation to the lease of the Humen Buildings for a term of three years commencing from 1 April 2023 to 31 March 2026
“Independent Third Party(ies)”	person(s) or company(ies) which is/are third party(ies) independent of the Company and its connected persons
“Lease Agreements”	the Baihao Lease Agreements and the Humen Lease Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lu”	Mr. Lu Yuguang, the Chairman, executive Director and 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 as at the date of this announcement
“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 Baihao Lease Agreements”	the two lease agreements entered into between Dongguan NHE (as lessee) and Mr. Lu (as lessor) on 31 March 2020 in relation to the lease of the Baihao Buildings for a term of three years commencing from 1 April 2020 to 31 March 2023, details of which were disclosed by the Company in the Announcement
“Previous Humen Lease Agreement”	the lease agreement entered into between Humen Branch of Dongguan NHE (as lessee) and Mr. Lu (as lessor) on 31 March 2020 in relation to the lease of the Humen Buildings for a term of three years commencing from 1 April 2020 to 31 March 2023, details of which were disclosed by the Company in the Announcement

“Previous Lease Agreements”	the Previous Baihao Lease Agreements and the Previous Humen Lease Agreement
“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
“%”	per cent

For illustration purpose in this announcement only, amounts in RMB have been translated into HK\$ at the rate of RMB1.00 = HK\$1.1429.

By Order of the Board
Best Pacific International Holdings Limited
Chan Yiu Sing
Executive Director, Chief Financial Officer and Company Secretary

Hong Kong, 31 March 2023

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