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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)

CONTINUING CONNECTED TRANSACTION SALES FRAMEWORK AGREEMENT

Sales Framework Agreement

Reference is made to the Announcement in relation to, among other things, the Previous Sales Framework Agreement between BPTHL and the JV Partner in relation to the sale of the Products by BPTHL Group to Brandix Group for a term of three years commencing on 6 November 2020.

In contemplation of the expiry of the Previous Sales Framework Agreement on 6 November 2023, the Board announces that on 3 November 2023, 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 Brandix Group for a term of three years from 6 November 2023 to 5 November 2026.

Implications under the Listing Rules

As at the date of this announcement, the JV Company is held as to 75% by BPSL (Pannala) and as to 25% by the JV Partner. Accordingly, members of Brandix Group (including the JV Partner) 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 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.

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Previous Sales Framework Agreement between BPTHL and the JV Partner in relation to the sale of the Products by BPTHL Group to Brandix Group for a term of three years from 6 November 2020 to 5 November 2023.

In contemplation of the expiry of the Previous Sales Framework Agreement on 6 November 2023, the Board announces that on 3 November 2023, 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 Brandix Group for a term of three years from 6 November 2023 to 5 November 2026. Principal terms of the Sales Framework Agreement are summarised below.

THE SALES FRAMEWORK AGREEMENT

Date	:	3 November 2023
Parties	:	(i) BPTHL (ii) the JV Partner
Term	:	Three years commencing from 6 November 2023 to 5 November 2026 (both days inclusive)
Subject matter	:	BPTHL Group (as supplier) and Brandix 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 Brandix Group, setting out, among other things, the Products to be supplied, specifications, quantity, price, delivery method and payment arrangement.
Pricing basis for the Products	:	Subject to the Annual Caps, the prices to be charged by BPTHL Group 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 Brandix 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 Brandix 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 time period as may be agreed to by BPTHL and the JV Partner according to normal commercial terms.
- Most preferred supplier : The JV Partner agreed that BPTHL Group shall be its most preferred supplier of the Products and shall procure BPTHL Group to be Brandix Group's most preferred supplier of the Products, provided that BPTHL Group shall meet the required quality, quantity, delivery times and pricing standards of the JV Partner and/or Brandix Group.
- 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 2020, 2021 and 2022 and the nine months ended 30 September 2023 are set out below:

	For the year ended 31 December 2020 (from 6 November 2020 to 31 December 2020)	For the year ended 31 December 2021 (from 1 January 2021 to 31 December 2021)	For the year ended 31 December 2022 (from 1 January 2022 to 31 December 2022)	From 1 January 2023 to 30 September 2023
Historical transaction amounts	US\$2,424,821 (audited)	US\$18,435,275 (audited)	US\$22,363,166 (audited)	US\$13,184,169 (unaudited)

ANNUAL CAPS FOR THE SALES FRAMEWORK AGREEMENT

The Annual Caps for the transaction amounts under the Sales Framework Agreement for the financial years ending 31 December 2023, 2024, 2025 and 2026 are set out below:

	For the year ending 31 December 2023 (from 6 November 2023 to 31 December 2023)	For the year ending 31 December 2024 (from 1 January 2024 to 31 December 2024)	For the year ending 31 December 2025 (from 1 January 2025 to 31 December 2025)	For the year ending 31 December 2026 (from 1 January 2026 to 5 November 2026)
Annual Caps	US\$5,000,000 (equivalent to approximately HK\$39,000,000)	US\$34,000,000 (equivalent to approximately HK\$265,200,000)	US\$50,000,000 (equivalent to approximately HK\$390,000,000)	US\$65,000,000 (equivalent to approximately HK\$507,000,000)

The Annual Caps were determined based on (i) the historical transaction amounts of the sale of the Products by BPTHL Group to Brandix Group under the Previous Sales Framework Agreement for the financial years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, (ii) the potential business growth with Brandix Group, (iii) certain buffers to allow for any further increase in the sales volume and/or selling price of the Products as anticipated by the management of the Company, and (iv) anticipated improvements to the market environment, which include (1) anticipated economic recovery in the post-COVID-19 period and (2) an expectation of increased political stability in Sri Lanka.

INTERNAL CONTROL AND PRICING POLICY

In order to ensure that the terms of the Sales Framework Agreement and the transactions contemplated thereunder are on normal commercial terms and not more favourable than those offered to independent customers in similar transactions, as well as the selling price of the Products to be sold by BPTHL Group to Brandix Group will be in accordance with the Sales Framework Agreement, as internal control, the Group has adopted the following measures:

1. the price to be charged by BPTHL Group in respect of the supply of the Products 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 Brandix Group under the Sales Framework Agreement;
2. the Group will (i) supervise the continuing connected transactions 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 Brandix Group are conducted in accordance with the terms of the Sales Framework Agreement; and (iii) regularly update the market price for the purpose of considering if the price of the Products charged by BPTHL Group is fair and reasonable and in accordance with the aforesaid pricing policy;
3. the Group has an internal system to trace, monitor and evaluate the transaction amounts under the Sales Framework Agreement regularly to ensure that the Annual Caps will not be exceeded; and
4. the Group will comply with the annual review requirements in respect of the transactions contemplated under the Sales Framework 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 Framework Agreement and give opinions/confirmation 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 of the Products to be supplied by BPTHL Group to Brandix Group will be in accordance with the terms under the Sales Framework 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 FRAMEWORK AGREEMENT

BPTHL Group is principally engaged in the manufacture and trading of elastic fabric, elastic webbing and lace whilst Brandix Group is principally engaged in the manufacture and export of garments. Over the years, BPTHL Group has been supplying the Products to Brandix Group. In November 2017, 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 sales framework agreement dated 6 November 2017 in relation to the supply of the Products from BPTHL Group to Brandix Group for a period of three years commencing on 6 November 2017. BPTHL and the JV Partner have renewed such framework agreement by entering into another framework agreement dated 6 November 2020 for another period of three years from 6 November 2020 to 5 November 2023. In order to ensure continuous supply of the Products to Brandix Group upon expiry of the Previous Sales Framework Agreement, BPTHL and the JV Partner entered into the Sales Framework Agreement for another term of three years commencing on 6 November 2023.

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 the 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 Brandix Group's most preferred supplier of the Products, whilst the selling price of the Products offered to Brandix 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.

In view of the above, the Directors (including the independent non-executive Directors) consider that (i) the terms of the Sales Framework 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 Framework 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 BPTHL

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

BPTHL, being a direct wholly-owned subsidiary of the Company, is an investment holding company of the Group.

INFORMATION ON THE JV PARTNER

The JV Partner is a company incorporated under the laws of Sri Lanka holding 25% of the issued share capital of the JV Company. As advised by the JV Partner, it is a direct wholly-owned subsidiary of Phoenix Ventures (Private) Limited, which is a company incorporated in Sri Lanka with limited liability and beneficially owned by several companies and individuals, which/who, save as their indirect interest in the JV Partner via Phoenix Ventures (Private) Limited and their shareholdings and/or directorship in Phoenix Ventures (Private) Limited and/or the JV Company, are, to the best of the directors' knowledge, information and belief having made all reasonable enquiry, independent of the Company and its connected persons for the purpose of the Listing Rules.

The JV Partner is a member of Brandix Group, which has been one of the Group's long term customers. As at the date hereof, the principal business activities of Brandix Group are manufacture and export of garments.

CONNECTED RELATIONSHIP AND IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the JV Company is held as to 75% by BPSL (Pannala) and as to 25% by the JV Partner. Accordingly, members of Brandix Group (including the JV Partner) 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 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 a material interest in the Sales Framework Agreement and the transactions contemplated thereunder and therefore no Director is required to abstain 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:

“Affiliate”	any person which, directly or indirectly, controls, is controlled by, or under common control with another person
“Announcement”	the announcement of the Company dated 6 November 2020

“Annual Cap(s)”	the annual cap(s) for the transactions contemplated under the Sales Framework Agreement for the financial years ending 31 December 2023, 2024, 2025 and/or 2026
“Board”	the board of Directors
“BPSL (Pannala)”	Best Pacific International Sri Lanka (Pannala) 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 Affiliates from time to time
“Brandix Group”	the JV Partner and its Affiliates 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 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”	the Hong Kong Special Administrative Region of the PRC
“JV Company”	Best Pacific Textiles Lanka (Pvt) Ltd, a company incorporated in Sri Lanka with limited liability and an indirect non-wholly owned subsidiary of the Company
“JV Partner”	Brandix Lanka (Pvt) Ltd (formerly known as Brandix Lanka Limited), a company incorporated in Sri Lanka with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 6 November 2020 entered into between BPTHL and the JV Partner in relation to the supply of the Products by BPTHL Group to Brandix Group
“ Products ”	synthetic fabric and webbing manufactured by BPTHL Group from time to time and any other products as may be agreed between BPTHL and the JV Partner from time to time
“ Sales Framework Agreement ”	the framework agreement dated 3 November 2023 entered into between BPTHL and the JV Partner in relation to the supply of the Products by BPTHL Group to Brandix Group as renewal of the Previous Sales Framework Agreement
“ 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
“ 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 has been, could have been, or may be exchanged at this or any other rates.

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

Hong Kong, 3 November 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*