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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)

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF LAND USE RIGHTS

ACQUISITION OF LAND USE RIGHTS

The Board is pleased to announce that on 2 December 2024 (after trading hours), Mega Textile, an indirect wholly-owned subsidiary of the Company, and VSIP Nghe An entered into the Letter of Offer for the acquisition of the land use rights of the Land at a consideration of US\$28,662,721 (equivalent to approximately HK\$223.57 million).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Land Acquisition exceeds 5% but all of them are less than 25%, the Land Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirement but is exempt from the circular and shareholders' approval requirements under the Listing Rules.

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The principal terms of the Letter of Offer are set out below:

THE LETTER OF OFFER

Date : 2 December 2024

Parties : (1) VSIP Nghe An
(2) Mega Textile

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, VSIP Nghe An and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Location of the Land : The Land is located at Lot Nos. A1-1 and A1-2 in Tho Loc Industrial Park (Phase 1), Dong Nam Nghe An Economic Zone, Nghe An Province, Vietnam.

Total site area of the Land : 511,834.3 square metres

Consideration and its basis : US\$28,662,721 (equivalent to approximately HK\$223.57 million)

The Consideration was determined between the contracting parties on the arm's length basis by taking into account, including but not limited to, (i) the strategic location of the Land in Nghe An Province, (ii) the prevailing market price of the Land in the surrounding area, and (iii) the potential development of the Land. Hence, the Directors considered that the Consideration was fair and reasonable.

The Group intends to finance the Consideration by internal resources and/or bank loans.

Payment terms : (1) US\$2,866,272 within seven days from the acceptance of the Letter of Offer
(2) US\$8,598,816.30 within first week of January 2025 provided that the investment registration certificate and the enterprise registration certificate have been obtained
(3) US\$8,598,816.30 within the first week of January 2026
(4) US\$8,598,816.40 within the first week of January 2027

Term of the grant of the Land Use Rights and the use of the Land : From the signing date of the Land Use Right Sublease Agreement to 8 February 2073.

Mega Textile shall implement business activities specified in its operation licences on the Land in line with the prevailing laws, the approved master plan of Tho Loc Industrial Park, and other approvals of competent authorities (if required).

The contracting parties acknowledge that Mega Textile and/or its related company or associate(s) shall make its investment in textile and garment businesses on the Land.

Timeframe for the handover of the Land : Mega Textile shall obtain the enterprise registration certificate from the Department of Planning and Investment of Nghe An Province.

Mega Textile shall sign the Land Use Right Sublease Agreement within twenty-one (21) days from the issuance date of the enterprise registration certificate. Within seven (7) days from the signing date of the Land Use Right Sublease Agreement, Mega Textile shall takeover the Land accordingly.

REASONS FOR AND BENEFITS OF THE LAND ACQUISITION

The Group had achieved an overall growth in its revenue from approximately HK\$1,860.9 million in 2014 (the year of initial public offering) to approximately HK\$4,200.7 million in 2023, represented a compound annual growth rate of approximately 9.5% in the past 9 years. The continued athleisure trend reveals the immense market potential, which translates into our growth opportunities in the sportswear and apparel sector. In order to capture potential growth in sales orders in the medium and long term, the Group is therefore seeking to expand its production capacities by establishing new production facilities and installing additional machineries to increase its production scale.

As disclosed in our 2024 interim results announcement on 27 August 2024, we have been actively assessing the feasibility of further expanding our manufacturing capacities in Vietnam. Vietnam is emerging as one of the fastest-growing economies in the world, which has maintained a positive GDP growth rate of 2.6 percent in 2021, even amid the COVID-19 pandemic, and has sustained an 8.02 and 5.05 percent growth rate in 2022 and 2023 respectively. Fuelled by its competitive labour costs, supportive policies and evolving supply chain dynamics, Vietnam presents compelling opportunities. In particular, being a member of the World Trade Organization and Association of Southeast Asian Nations, Vietnam has entered into 15 free trade agreements with partners across all continents, including strategically important partnerships such as the EU–Vietnam Free Trade Agreement and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, all favoring lower trade tariffs which makes it appealing to most of our clients engaging in textile and apparel export businesses.

The Land is intended to be used for the construction of a production hub in Nghe An, Vietnam. Currently, the Group owns production plants located in China, Hai Duong, Vietnam and Sri Lanka. Nghe An, Vietnam offers competitive labour costs compared to other regions, and the costs of land and utilities are generally lower than other more developed areas. Nghe An, Vietnam has good transportation infrastructure, including highways, railways and ports, facilitating logistics and distribution, which in turn can lower the transportation costs. Accompanied with our established management team currently in Vietnam, developed client base and proven track record in our existing production site in Hai Duong, Vietnam, we are confident in shortening the ramp up time as normally required for establishing a new production site in an area. Our existing production site in Hai Duong, Vietnam has generated double digit profit margins in recent years and outperformed our production plants in other regions.

The new production facilities in Nghe An, Vietnam will be developed in phases based on the market situation and projected sales growth over the years and may take up to approximately 10 years to fully develop the Land. Based on the information currently available to the Company, it is expected that the Group will invest in approximately HK\$500 million in the coming 15-21 months for construction of the phase 1 manufacturing facilities which will be put into commercial production gradually from March 2026. It is anticipated that the Group will increase the total designed annual production capacity of its core products by approximately 10%-15% in 2026 when the machinery of phase 1 development is fully installed and operating.

Best Pacific had an average earning before interest, tax, depreciation and amortization (“**EBITDA**”) of over HK\$800 million from 2020 to 2023 and EBITDA of HK\$598.1 million for the six months ended 30 June 2024, and a net gearing ratio of approximately 11.6% as of 30 June 2024. Our strong cash flows and healthy financial position will certainly be a plus to empower the Group to undergo the necessary expansion in order to seize the new opportunities ahead.

The Directors are of the view that setting up a production hub in Nghe An, Vietnam can provide a combination of cost efficiency, strategic advantages, making it an attractive option for businesses looking to expand in Southeast Asia regions, and also the Land Acquisition is in line with the Company’s strategies and in favour of the Group’s business development. The Directors (including the independent non-executive Directors) are of the view that the terms of the Letter of Offer are fair, reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL INFORMATION OF THE PARTIES

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

VSIP Nghe An is a joint venture company incorporated in Vietnam and it is involved in the development and management of industrial parks in Nghe An Province, Vietnam. VSIP Nghe An and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

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DEFINITIONS

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

“Board”	the board of Directors
“Company” or “Best Pacific”	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
“Consideration”	the consideration of US\$28,662,721 (equivalent to approximately HK\$223.57 million), being the total consideration for the Land Acquisition
“Director(s)”	director(s) of the Company
“Group” or “we”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Land”	the plot of land located at Lot Nos. A1-1 and A1-2 in Tho Loc Industrial Park (Phase 1), Dong Nam Nghe An Economic Zone, Nghe An Province, Vietnam measuring approximately 511,834.3 square metres
“Land Acquisition”	the proposed acquisition of the land use rights of the Land pursuant to the terms of the Letter of Offer
“Land Use Right Sublease Agreement”	the agreement for the sublease of land use right to be entered into between VSIP Nghe An and Mega Textile pursuant to the terms of the Letter of Offer in respect of the Land Acquisition
“Letter of Offer”	the letter of offer in respect of the Land Acquisition entered into between Mega Textile and VSIP Nghe An on 2 December 2024

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Mega Textile”	MEGA TEXTILE SINGAPORE PRIVATE LIMITED, a company incorporated in Singapore with limited liability and an indirect wholly-owned subsidiary of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Sri Lanka”	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
“Vietnam”	the Socialist Republic of Vietnam
“VSIP Nghe An”	VSIP Nghe An Co., Ltd, a company incorporated in Vietnam, an independent third party and the developer of the Land

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 to HK\$7.8. 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, 2 December 2024

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. Kuo Dah Chih, Stanford* and Mr. Lam Yin Shing, Donald*.*

* *Independent non-executive Director*