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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

HIGHLIGHTS

- The Group's revenue for the year ended 31 December 2014 amounted to HK$1.86 billion, representing an increase of approximately HK$201.4 million or 12.1% when compared with the year ended 31 December 2013.
- The Group's gross profit for the year ended 31 December 2014 amounted to HK$568.4 million, an increase of approximately 8.8% when compared with the year ended 31 December 2013. Gross profit margin decreased slightly by approximately 1 percentage point to approximately 30.5%, as compared to the year ended 31 December 2013.
- Net profit for the year ended 31 December 2014 amounted to HK$246.9 million, while net profit for the year ended 31 December 2014 (excluding one-off listing expenses, fair value change in financial instruments and investment properties and share-based payment expenses) amounted to HK$281.2 million, representing an increase of approximately 16.3% when compared with the year ended 31 December 2013. Net profit margin (excluding one-off listing expenses, fair value change in financial instruments and investment properties and share-based payment expenses) increased by approximately 0.5 percentage point to 15.1% (2013: 14.6%).
- Revenue from sales of elastic fabric and elastic webbing for the year ended 31 December 2014 increased by approximately 11.3% to HK$1.20 billion and by approximately 10.2% to HK$620.8 million, respectively, as compared to the year ended 31 December 2013.

  Sales revenue of elastic fabric as sportswear materials increased by approximately 130.3% when compared with the year ended 31 December 2013.
- For the year ended 31 December 2014, revenue from sale of lace increased by approximately 110.8% to HK$42.1 million, as a result of cross selling synergy. Gross profit margin for the sale of lace increased from 18.8% for the year ended 31 December 2013 to 42.3% for the year ended 31 December 2014.
- Basic earnings (excluding one-off listing expenses, fair value change in financial instruments and investment properties and share-based payment expenses) per share were HK30.81 cents for the year ended 31 December 2014, representing an increase of approximately 8.3% from HK28.44 cents for the year ended 31 December 2013.
- Proposed to declare a final dividend of HK5 cents per share in respect of the year ended 31 December 2014.

The board of Directors (the "**Board**") of Best Pacific International Holdings Limited (the "**Company**" or "**Best Pacific**") announces the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
Revenue	*4*	**1,860,881**	1,659,447
Cost of sales		**(1,292,474)**	(1,136,990)
Gross profit		**568,407**	522,457
Other income		**40,823**	26,297
Other gains and losses	*6*	**5,143**	3,399
Selling and distribution expenses		**(83,069)**	(75,976)
Administrative expenses		**(130,627)**	(90,075)
Research and development costs		**(42,390)**	(38,098)
Listing expenses		**(23,518)**	(6,423)
Finance costs		**(30,961)**	(40,424)
Profit before taxation	*7*	**303,808**	301,157
Income tax expense	*8*	**(56,904)**	(56,652)
Profit for the year		**246,904**	244,505
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**2,158**	21,262
Fair value loss on available-for-sale financial assets		**(82)**	(45)
Other comprehensive income for the year		**2,076**	21,217
Total comprehensive income for the year		**248,980**	265,722

	Notes	**2014**	2013
		HK$'000	HK$'000
Profit for the year attributable to			
— Owners of the Company		**246,904**	214,559
— Non-controlling interests		**–**	29,946
		246,904	244,505
Total comprehensive income attributable to			
— Owners of the Company		**248,980**	233,332
— Non-controlling interests		**–**	32,390
		248,980	265,722
Earnings per share	*10*		
— Basic (HK cents)		**27.05**	28.61
— Diluted (HK cents)		**26.87**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
Non-current assets			
Property, plant and equipment		**1,105,685**	1,032,684
Investment properties		**–**	72,152
Prepaid lease payments		**43,481**	44,439
Deposits		**26,182**	32,664
Available-for-sale financial assets		**2,897**	2,979
Deferred tax assets		**3,622**	886
		1,181,867	1,185,804
Current assets			
Inventories		**347,658**	317,873
Prepaid lease payments		**1,013**	1,013
Trade and bills receivables	*11*	**418,615**	453,500
Other receivables, deposits and prepayments		**33,979**	15,525
Derivative financial instruments		**–**	1,511
Pledged bank deposits		**85,147**	96,107
Short term bank deposits		**649,792**	–
Bank balances and cash		**94,793**	97,536
		1,630,997	983,065
Current liabilities			
Trade payable	*12*	**85,774**	107,393
Bills payable	*13*	**270,779**	202,316
Other payables and accrued charges		**101,336**	131,078
Bank borrowings	*14*	**401,863**	345,660
Obligations under finance leases		**20,629**	37,164
Financial guarantee liability		**–**	11,623
Tax payable		**31,862**	17,660
		912,243	852,894
Net current asset		**718,754**	130,171
Total assets less current liabilities		**1,900,621**	1,315,975

	Notes	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Bank borrowings	*14*	**258,972**	451,562
Obligation under finance leases		**16,385**	22,599
Deferred income		**8,486**	9,615
		283,843	483,776
Net assets		**1,616,778**	832,199
Capital and reserves			
Capital	*15*	**10,188**	87
Reserves		**1,606,590**	725,476
Equity attributable to owners of the Company		**1,616,778**	725,563
Non-controlling interests		**–**	106,636
Total equity		**1,616,778**	832,199

NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AND STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2014

1. GENERAL INFORMATION

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 14 June 2013. Its immediate holding company is Grandview Capital Investment Limited ("**Grandview**"), which is incorporated in the British Virgin Islands ("**BVI**") and is wholly owned by Mr. Lu Yuguang ("**Mr. Lu**"), who is also the Chairman and executive Director of the Company. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 23 May 2014 ("**Listing Date**").

The functional currency of the Company is Hong Kong dollar ("**HK$**"), which is the same as the presentation currency of the consolidated financial statements.

2. BASIS OF PREPARATION

In the preparation for the listing of the Company's shares on the Stock Exchange, the Company underwent the reorganisation ("**Reorganisation**") which included the following steps:

(a) On 14 June 2013, the Company was incorporated in the Cayman Islands with limited liability. The initial authorised share capital of the Company was HK$390,000 divided into 39,000,000 shares of HK$0.01 each. Upon its incorporation, one subscriber share was allotted and issued, to the subscriber, which was transferred to Grandview on the same day. Also, on the same date, 331,499 shares, 39,000 shares and 19,500 shares were allotted and issued at par value to Grandview, Sunbrilliant Capital Investment Limited ("**Sunbrilliant**"), a limited liability company incorporated in the BVI and wholly owned by Mr. Zhang Haitao ("**Mr. Zhang**"), and Lakefront Capital Investment Limited ("**Lakefront**"), a limited liability company incorporated in the BVI and wholly owned by Mr. Wu Shaolun ("**Mr. Wu**"), respectively. On 12 December 2013, 331,500 shares, 39,000 shares and 19,500 shares were further allotted and issued at par value to Grandview, Sunbrilliant and Lakefront, respectively. Upon the completion of the aforesaid transfer and allotments, Grandview, Sunbrilliant and Lakefront owned 85%, 10% and 5% of the issued shares of the Company, respectively.

(b) On 12 December 2013, Best Pacific Textile Holdings Limited ("**BPT Holdings**") entered into a sale and purchase agreement with Mr. Lu Huigen, Mr. Lu's elder brother, pursuant to which BPT Holdings agreed to transfer its entire interest in Deluxe Royal Limited ("**Deluxe Royal**") to Mr. Lu Huigen for a consideration of HK$10,000. Upon the completion of the transfer on 12 December 2013, Deluxe Royal ceased to be a subsidiary of the Group.

(c) On 16 January 2014, Mr. Lu transferred 10,000 shares of BPT Holdings to Grandview in consideration for the allotment and issue of 10,000 shares at par value in Grandview to Mr. Lu, and on the same date, Grandview transferred its entire 85% interest in Best Pacific Textile International Limited ("**BPT International**") to BPT Holdings in consideration of the allotment and issue of 7,000 shares at par value in BPT Holdings to Grandview. Upon completion of the aforesaid transfers, BPT Holdings was wholly owned by Grandview whereas BPT International was held as to 85% by BPT Holdings, 10% by Sunbrilliant and 5% by Lakefront, respectively.

(d) On 16 January 2014, BPT Holdings entered into a sale and purchase agreement with each of Sunbrilliant and Lakefront, pursuant to which Sunbrilliant and Lakefront agreed to transfer their respective interests of 10% and 5% in BPT International to BPT Holdings, the consideration for which were settled by the allotment and issue of 2,000 shares and 1,000 shares at par value in BPT Holdings, to Sunbrilliant and Lakefront, respectively, with reference to their respective shareholdings in BPT International. As Sunbrilliant and Lakefront had in effect obtained 10% and 5% beneficial interests in New Horizon Investment (Hong Kong) Limited ("**New Horizon Investment**") after the aforesaid transfers and allotments, an additional consideration of approximately HK$40 million and HK$20 million were paid by Sunbrilliant and Lakefront to Grandview, respectively, and such consideration was determined with reference to the fair value of the 15% equity interests in New Horizon Investment and its subsidiary as at 30 September 2013. Upon completion of the aforesaid transfers, BPT International was wholly owned by BPT Holdings.

(e) On 16 January 2014, the Company entered into a sale and purchase agreement with each of Grandview, Sunbrilliant and Lakefront, pursuant to which Grandview, Sunbrilliant and Lakefront agreed to transfer 85%, 10% and 5% of their respective interests in BPT Holdings to the Company, the consideration of which was settled by way of allotment and issue of 331,500, 39,000 and 19,500 shares by the Company to Grandview, Sunbrilliant and Lakefront, respectively, with reference to their respective shareholdings in BPT Holdings. Upon completion of the aforesaid transfers, BPT Holdings was wholly owned by the Company.

Pursuant to the Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 16 January 2014. The Company and its subsidiaries have been under the common control of Mr. Lu throughout the years ended 31 December 2013 and 2014.

The consolidated statement of profit or loss and other comprehensive income, for the years ended 31 December 2013 and 2014 include the results of the companies now comprising the Group as if the current group structure had been in existence throughout the respective periods (except for the disposal of Deluxe Royal in December 2013). The consolidated statement of financial position of the Group as at 31 December 2013 has been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence at that date.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Group has applied all of the Amendments to HKFRSs and a new Interpretation issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") that are relevant to its operations and effective for the Group's financial year beginning on 1 January 2014. The adoption of these Amendments to HKFRSs and Interpretation had no material effect on the results and financial position of the Group for the current and/or prior accounting years.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[5]
HKFRS 15	Revenue from contracts with customers[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle[3]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[3]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[3]
Amendments to HKAS 1	Disclosure initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[3]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[1]
Amendments to HKAS 27	Equity method in separate financial statements[3]

[1] Effective for annual periods beginning on or after 1 July 2014.
[2] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
[3] Effective for annual periods beginning on or after 1 January 2016.
[4] Effective for annual periods beginning on or after 1 January 2017.
[5] Effective for annual periods beginning on or after 1 January 2018.

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("**FVTOCI**") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Directors of the Company have reviewed the Group's financial assets as at 31 December 2014 and anticipate that the application of HKFRS 9 in the future may result in provision of 12 months and lifetime expected credit losses on financial assets and is not likely to have other material impact on the results and financial position of the Group based on an analysis of the Group's existing business model.

HKFRS 15 "Revenue from contracts with customers"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors of the Company anticipate that the application of HKFRS 15 in the future will not have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements.

The Directors of the Company anticipate that the application of other amendments to Standards will have no material impact on the results and financial position of the Group.

4. REVENUE

The Group's revenue is derived from manufacturing and trading of elastic fabric, lace and elastic webbing in Hong Kong and the PRC for both years, net of discounts and sales related taxes.

5. SEGMENT INFORMATION

The financial information reported to executive Directors of the Company, being the chief operating decision markers ("**CODM**"), for the purpose of assessment of segment performance and resources allocation focuses on types of goods delivered.

The Group's operating and reportable segments under HKFRS 8 are as follows:

- **Manufacturing and trading of elastic fabric and lace**

  This segment derives its revenue from manufacturing and trading of elastic fabric and lace made from synthetic fibres that are commonly used in high-end wrap knitted lingerie products.

- **Manufacturing and trading of elastic webbing**

  This segment derives its revenue from manufacturing and trading of elastic webbing made from synthetic fibres that are commonly used as shoulder straps, lingerie trims and waistbands.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the year ended 31 December 2014

	Manufacturing and trading of elastic fabric and lace HK$'000	Manufacturing and trading of elastic webbing HK$'000	Total HK$'000
Segment revenue from external customers	1,240,106	620,775	1,860,881
Segment profits	216,739	141,278	358,017
Unallocated other income			22,504
Unallocated other gains and losses			5,147
Unallocated corporate expenses			(50,899)
Finance costs			(30,961)
Profit before taxation			303,808

For the year ended 31 December 2013

	Manufacturing and trading of elastic fabric and lace HK$'000	Manufacturing and trading of elastic webbing HK$'000	Total HK$'000
Segment revenue from external customers	1,095,936	563,511	1,659,447
Segment profits	219,105	125,340	344,445
Unallocated other income			12,862
Unallocated other gains and losses			4,664
Unallocated corporate expenses			(20,390)
Finance costs			(40,424)
Profit before taxation			301,157

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment profit represents the results of each segment without allocation of corporate items including mainly bank interest income, rental income, financial guarantee income, gain on disposal of a subsidiary, change in fair value in derivative financial instruments, change in fair value in held-for-trading investments, change in fair value of investment properties, net foreign exchange gain/loss, corporate expenses and finance costs. Corporate expenses include Directors' remuneration paid or payable by the Group, listing expenses, equity-settled share-based payments and certain administrative expenses for corporate function. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

As at 31 December 2014

	Manufacturing and trading of elastic fabric and lace HK$'000	Manufacturing and trading of elastic webbing HK$'000	Total HK$'000
ASSETS			
Segment assets	**1,538,073**	**421,027**	**1,959,100**
Property, plant and equipment			**3,865**
Deferred tax assets			**3,622**
Available-for-sale financial assets			**2,897**
Other receivables, deposits and prepayments			**13,648**
Pledged bank deposits			**85,147**
Short term bank deposits			**646,792**
Bank balances and cash			**97,793**
Total assets			**2,812,864**
LIABILITIES			
Segment liabilities	**338,411**	**125,657**	**464,068**
Other payables and accrued charges			**2,307**
Obligations under finance leases			**37,014**
Bank borrowings			**660,835**
Tax payable			**31,862**
Total liabilities			**1,196,086**

As at 31 December 2013

	Manufacturing and trading of elastic fabric and lace HK$'000	Manufacturing and trading of elastic webbing HK$'000	Total HK$'000
ASSETS			
Segment assets	1,474,081	414,407	1,888,488
Property, plant and equipment			2,591
Investment properties			72,152
Deferred tax assets			886
Available-for-sale financial assets			2,979
Other receivables, deposits and prepayments			6,619
Derivative financial instruments			1,511
Pledged bank deposits			96,107
Bank balances and cash			97,536
Total assets			2,168,869
LIABILITIES			
Segment liabilities	312,367	137,596	449,963
Other payables and accrued charges			439
Obligations under finance leases			59,763
Bank borrowings			797,222
Tax payable			17,660
Financial guarantee liability			11,623
Total liabilities			1,336,670

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments, other than investment properties, available-for-sale financial assets, deferred tax assets, derivative financial instruments, pledged bank deposits, short term bank deposits and bank balances and cash and certain corporate assets.

- all liabilities are allocated to operating and reportable segments, other than obligations under finance leases, bank borrowings, tax payable, financial guarantee liability and certain corporate liabilities.

Other segment information
For the year ended 31 December 2014

	Manufacturing and trading of elastic fabric and lace HK$'000	**Manufacturing and trading of elastic webbing HK$'000**	**Unallocated HK$'000**	**Total HK$'000**
Amounts included in the measure of segment profit or segment assets:				
Additions of property, plant and equipment	**143,892**	**42,869**	**2,399**	**189,160**
Depreciation of property, plant and equipment	**92,696**	**22,633**	**266**	**115,595**
Amortisation of prepaid lease payments	**1,013**	**–**	**–**	**1,013**
Loss on disposal of property, plant and equipment	**19**	**–**	**–**	**19**
Allowance for obsolete inventories	**–**	**–**	**–**	**–**
Reversal of allowance for bad and doubtful debts	**(15)**	**–**	**–**	**(15)**

For the year ended 31 December 2013

	Manufacturing and trading of elastic fabric and lace HK$'000	Manufacturing and trading of elastic webbing HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets:				
Additions of property, plant and equipment	207,233	25,505	2,085	234,823
Depreciation of property, plant and equipment	84,358	18,735	423	103,516
Amortisation of prepaid lease payments	1,013	–	–	1,013
Loss on disposal of property, plant and equipment	476	–	–	476
Allowance for (reversal of allowance for) obsolete inventories	6,915	(573)	–	6,342
(Reversal of) allowance for bad and doubtful debts	(522)	1,311	–	789

Other than the segment information disclosed above, there was no other information reviewed by the CODM for both years.

Geographical information

The Group's operations are located in the PRC and Hong Kong. The Group's revenue from external customers based on the location of the customers are detailed below:

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Hong Kong	**809,198**	678,308
The PRC	**505,859**	547,346
Sri Lanka	**229,197**	178,526
Europe and the United States of America	**102,389**	77,590
Indonesia	**49,349**	52,676
Thailand	**38,159**	37,150
Vietnam	**30,673**	24,457
Others	**96,057**	63,394
	1,860,881	1,659,447

Non-current assets (excluding financial assets and deferred tax assets) by geographical location of assets are detailed below:

	As at 31 December	
	2014	2013
	HK$'000	HK$'000
The PRC	**1,151,027**	1,172,166
Hong Kong	**5,107**	2,749
	1,156,134	1,174,915

Information about major customers

Revenues from customers contributing over 10% of the total revenue of the Group for the years ended 31 December 2014 and 2013 are as follows:

	Year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Revenue from manufacturing and trading of elastic fabric and lace		
— customer A	**204,278**	181,270
— customer B*	**176,237**	–
Revenue from manufacturing and trading of elastic webbing		
— customer A	**60,756**	49,471
— customer B*	**13,243**	–

* Revenue from customer B had not reached 10% of the Group's revenue for the year ended 31 December 2013.

6. OTHER GAINS AND LOSSES

	2014 HK$'000	2013 HK$'000
Loss on disposal of property, plant and equipment	**(19)**	(476)
Gain on disposal of a subsidiary	**–**	23
Reversal of allowance for (allowance for) bad and doubtful debts, net	**15**	(789)
Change in fair value of derivative financial instruments	**515**	3,970
Change in fair value of held-for-trading investments	**–**	56
Change in fair value of investment properties	**(2,532)**	5,019
Net foreign exchange gain (loss)	**7,164**	(4,404)
	5,143	3,399

7. PROFIT BEFORE TAXATION

	2014 HK$'000	2013 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**1,802**	900
Staff costs		
Directors' remuneration	**16,808**	9,282
Other staff costs		
— salaries and other benefits	**289,610**	261,323
— contributions to retirement benefits schemes	**19,631**	14,113
— equity-settled share-based payments	**5,144**	–
	331,193	284,718
Depreciation of property, plant and equipment	**115,595**	103,516
Amortisation of prepaid lease payments	**1,013**	1,013
Operating lease rentals in respect of rented premises	**11,437**	12,017
Cost of inventories recognised as an expense	**1,292,474**	1,136,990
Including: allowance for obsolete inventories, net	**–**	6,342
Gross rental income from investment properties	**(676)**	(311)
Less: Direct operating expenses that generated rental income	**34**	32
Direct operating expenses that did not generated rental income	**493**	631
	(149)	352

8. INCOME TAX EXPENSE

	2014 HK$'000	2013 HK$'000
Current tax:		
Hong Kong Profits Tax	**24,579**	17,159
The PRC Enterprise Income Tax ("**EIT**")	**32,371**	35,927
The PRC withholding tax	**3,161**	–
(Over)under provision in prior years:		
Hong Kong Profits Tax	**(786)**	–
The PRC EIT	**368**	2,229
	59,693	55,315
Deferred taxation	**(2,789)**	1,337
	56,904	56,652

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, except as described below, the tax rate of the PRC subsidiaries is 25% for both years.

Dongguan Best Pacific Textile Company Limited ("**Dongguan BPT**"), a subsidiary of the Company, obtained the qualification as a high and new technology enterprise in 2010, which was valid for three years since financial year 2011 and was renewed for an additional three years from financial year 2014, and it also completed the relevant filing requirements with the competent tax authorities. Hence, Dongguan BPT is subject to the preferential tax treatment and the applicable tax rate for the years ended 31 December 2014 and 2013 is 15%.

Under the EIT Law, PRC withholding income tax is applicable to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from a PRC subsidiary to non-PRC tax resident group entity in Hong Kong in respect of profits generated after 1 January 2008 shall be subject to the withholding tax at 10%, unless the Hong Kong company can be approved to enjoy a reduced rate of 5% pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income.

9. DIVIDENDS

During the year ended 31 December 2013, Best Pacific Textile Ltd ("**BPT**"), a then non-wholly owned subsidiary, declared and paid dividends of HK$9,000,000 to then non-controlling shareholders of BPT and HK$51,000,000 to BPT Holdings. Also, BPT Holdings declared and paid dividends of HK$51,000,000 to its then owner. Other than disclosed above, no dividend was paid or declared by any group entities to external parties during the year ended 31 December 2013.

During the year ended 31 December 2014, the Company declared and paid an interim dividend of HK3.5 cents (2013: nil) per share. The interim dividend of approximately HK$35,657,000 (2013: nil) was recognised as distribution during the year ended 31 December 2014.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2014 of HK5 cents per share has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming general meeting.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2014	2013
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the year attributable to owners of the Company) (HK$'000)	**246,904**	214,559
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**912,874,701**	750,000,000
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**5,653,848**	–
Over-allotment option from initial public offering	**194,618**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**918,723,167**	N/A

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2014 and 2013 has been adjusted for the capitalisation issue on 23 May 2014 as disclosed in note 15 and taking into consideration the effect of the Reorganisation as disclosed in note 2.

No diluted earnings per share information has been presented for the year ended 31 December 2013 as there were no potential ordinary shares outstanding during that year.

11. TRADE AND BILLS RECEIVABLES

	2014 **HK$'000**	2013 HK$'000
Trade receivables	**413,701**	451,117
Less: Allowance for bad and doubtful debts	**(1,761)**	(1,776)
Total trade receivables	**411,940**	449,341
Bills receivables	**6,675**	4,159
	418,615	453,500

Before accepting any new customers, the Group assesses the potential customer's credit quality by evaluating their historical credit records and defines credit limits for each customer. Recoverability and credit limit of the existing customers are reviewed by the Group regularly.

Trade receivables from third parties mainly represent receivables from customers in relation to the sale of elastic fabric and lace and elastic webbing to customers. The credit period granted to the customers ranges from 30 to 90 days from the date of issuance of a monthly statement for sales delivered in that month.

The following is an aged analysis of trade receivables net of allowance for bad and doubtful debts presented based on the date of issuance of monthly statements at the end of each reporting period and aged analysis of bills receivable presented based on the date of issuance of the bills at the end of each reporting period.

	2014	2013
	HK$'000	HK$'000
Trade receivables		
0–90 days	**383,878**	410,607
91–180 days	**20,864**	33,451
Over 180 days	**7,198**	5,283
	411,940	449,341
Bills receivables		
0–90 days	**6,041**	1,861
91–180 days	**634**	2,298
	6,675	4,159
	418,615	453,500

12. TRADE PAYABLE

The credit period granted by the Group's creditors ranges from approximately 1 month to 3 months. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2014	2013
	HK$'000	HK$'000
0–90 days	**76,198**	98,082
Over 90 days	**9,576**	9,311
	85,774	107,393

13. BILLS PAYABLE

The following is an aged analysis of bills payable presented based on the date of issuance of the bills at the end of each reporting period:

	2014	2013
	HK$'000	HK$'000
0–90 days	**194,755**	151,691
91–180 days	**76,024**	50,625
	270,779	202,316

14. BANK BORROWINGS

	2014 HK$'000	2013 HK$'000
Unsecured syndicated loan	**385,415**	424,857
Secured bank borrowings	**267,390**	194,377
Unsecured bank borrowings	**8,030**	143,529
Collateralised bank borrowings from factoring of trade receivables with full recourse	**–**	34,459
	660,835	797,222
Carrying amount repayable*:		
Within one year	**381,788**	325,008
More than one year, but not exceeding two years	**271,495**	149,101
More than two years, but not more than five years	**7,552**	323,113
	660,835	797,222
Less: Amounts due within one year or contain a repayment on demand clause shown under current liabilities	**(401,863)**	(345,660)
Amounts shown under non-current liabilities	**258,972**	451,562
Carrying amount of bank borrowings that are repayable within one year and contain a repayment on demand clause	**156,753**	29,054
Carrying amount of bank borrowings that are repayable more than one year but contain a repayment on demand clause	**20,075**	20,652
	176,828	49,706

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

During the year ended 31 December 2014, bank borrowings of HK$79,865,000 were voluntarily repaid to banks in advance of the scheduled repayment dates.

The unsecured syndicated loan was guaranteed by group companies, Mr. Lu and Mr. Zhang and the loans will be repayable by instalments from 16 July 2014 to 16 July 2016. During the year ended 31 December 2014, the personal guarantees of Mr. Lu and Mr. Zhang had been released by the syndicate.

The secured bank borrowings were secured by assets pledged and were guaranteed by Mr. Lu and Mr. Zhang as at 31 December 2013.

The unsecured bank borrowings were guaranteed by group companies as at 31 December 2014 and 2013 and were also guaranteed by Mr. Lu and Mr. Zhang as at 31 December 2013.

15. CAPITAL

Capital as at 31 December 2013 represented the aggregate paid-in capital of the Company, BPT Holdings and BPT International attributable to Mr. Lu.

On 14 June 2013, the Company was incorporated in the Cayman Islands. Upon its incorporation, one subscriber share was allotted and issued, to the subscriber and transferred to Grandview. On the same date, 331,499 shares, 39,000 shares and 19,500 shares were allotted and issued at par value to Grandview, Sunbrilliant and Lakefront, respectively. On 12 December 2013, 331,500 shares, 39,000 shares and 19,500 shares were further allotted and issued at par value to Grandview, Sunbrilliant and Lakefront, respectively.

As a part of the Reorganisation, on 16 January 2014, 331,500 shares, 39,000 shares and 19,500 shares were allotted and issued by the Company at par value to Grandview, Sunbrilliant and Lakefront, respectively.

On 8 May 2014, the authorised share capital of the Company was increased from HK$390,000 to HK$500,000,000 by the creation of an additional 49,961,000,000 shares of HK$0.01.

Pursuant to the written resolutions passed by the shareholders of the Company on 8 May 2014, conditional upon the share premium account of the Company being credited as a result of the listing of the Company on the Stock Exchange, the Directors of the Company were authorised to capitalise the amount of HK$7,488,300 from the amount standing to the credit of the share premium account of the Company to pay up in full at par 748,830,000 shares for allotment and issue to the shareholders appearing on the register of members of the Company at the close of business on 8 May 2014, pro-rata to their then existing shareholdings in the Company.

On 23 May 2014, the Company had issued 250,000,000 shares at HK$2.15 per share to public shareholders through the initial public offering.

On 18 June 2014, the Company had allotted 18,778,000 shares at HK$2.15 per share to shareholders pursuant to the over-allotment options under the international underwriting agreement entered into by, inter alia, the Company and the international underwriters on 19 May 2014.

All shares issued rank pari passu with each other in all aspects. The detailed movements of the Company's share capital is set out below.

	Number of shares	**Amount**	
		HK$	HK$'000
Ordinary shares of HK$0.01 each			
Authorised:			
At 14 June 2013 (date of incorporation) and 31 December 2013	39,000,000	390,000	390
Increase on 8 May 2014	49,961,000,000	499,610,000	499,610
At 31 December 2014	50,000,000,000	500,000,000	500,000
Issued and fully paid:			
At 14 June 2013 (date of incorporation)	1	–	–
Issue of shares on 14 June 2013 (date of incorporation)	389,999	3,900	4
Issue of shares on 12 December 2013	390,000	3,900	4
At 31 December 2013	780,000	7,800	8
Issue of shares on 16 January 2014	**390,000**	**3,900**	**4**
Capitalisation issue of shares on 23 May 2014	**748,830,000**	**7,488,300**	**7,488**
Issue of shares on 23 May 2014	**250,000,000**	**2,500,000**	**2,500**
Issue of shares on 18 June 2014	**18,778,000**	**187,780**	**188**
At 31 December 2014	**1,018,778,000**	**10,187,780**	**10,188**

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the annual results of the Group for the year ended 31 December 2014.

The year of 2014 was of great importance for the Group. Despite the fluctuations in the capital markets in Hong Kong, Best Pacific completed its initial public offering ("**IPO**") on schedule, with trust and support from our investors, and was successfully listed on the Main Board of the Stock Exchange for trading on 23 May 2014. This marked a milestone to be remembered in the development history of the Group. With expanded shareholder base and enhanced share capital structure, the Group has embarked on a broader platform and has secured more financial resources, laying a solid foundation for its future developments.

In 2014, the global economy continued to show signs of slow recovery. Developed economies demonstrated an obvious differentiation in growth, with the United States presented a stable economic recovery, while in Europe, the economic recovery was sluggish and the economic growth of nations in major emerging markets also further decelerated. Throughout the year, the pressure on China to grow its economy in a stable way increased and the economy continued to operate within a reasonable range. With the increase in disposable income and the improvement in living standards, consumers are seeking more high-quality consumables, stimulating consumers to value healthy life and sports. As result of the foregoing and coupled with the promotion of the national consumption stimulating policy, China's total retail sales of social consumables grew by 12.0%, and therefore such consumption has become a key driving force to fuel economic growth.

During the year, by consistently strengthening its unique position as a supplier of one-stop solutions of lingerie materials, Best Pacific has further reinforced its cooperation with customers to achieve a steady growth in operating performance and to further cement its leading market position as the largest manufacturer of lingerie materials in the world. For the year ended 31 December 2014, the Group's revenue increased by 12.1% and net profit (excluding one-off listing expenses, fair value change in financial instruments and investment properties and share-based payment expenses) increased by 16.3% to HK$1.86 billion and HK$281.2 million respectively, delivering to investors a satisfactory performance after listing.

In 2014, the two primary business segments of the Group, namely elastic fabric and elastic webbing, continued to develop steadily. During the year, the Group has conducted intensive cooperation with customers of leading brands, such as ^Aimer, Chantelle, Embry Form, Maniform, Marks & Spencer, Spanx, Triumph, Victoria's Secret and Wacoal, by leveraging on its outstanding quality, excellent design and innovative technologies. With expanding production capacity and enhanced one-stop solutions, the two primary business segments of the Group have outperformed its industry peers and have steadily consolidated its leading position.

^ *Brands are arranged in alphabetical order.*

While prudently promoting its major businesses for developments, the Group has also capitalised on its own broad customer base and strong research and development capability to further develop its new lace product segment with a view to creating synergistic effects and perfecting its unique position as a supplier of one-stop solutions. Due to the cross sales that come with the closer cooperation with our existing customers, our lace business, which was established in the second half of 2012, has ushered in a phase of rapid development. Given that the gross profit margin of lace products is higher than that of other lingerie materials and reaches 40% to 60% on average across the industry, it is believed that with the lace business becoming more and more mature, the overall profitability of the Group will be improved. For the year ended 31 December 2014, the Group's revenue from sales of elastic fabric and elastic webbing increased by approximately 11.3% to HK$1.20 billion and by approximately 10.2% to HK$620.8 million, respectively. Thanks to the cross selling synergy, the Group's revenue from lace increased by approximately 110.8% to HK$42.1 million.

Furthermore, focusing on huge market potentials resulting from the general increased emphasis on health and sports as a result of the improvement of consumers' living standard, the Group has employed its existing production equipment and technological resources to sell elastic fabric and elastic webbing to sportswear brand owners so as to actively explore new lines of business. Equipped with cutting-edge technologies in the production of elastic fabric and elastic webbing and strong research and development ability, the Group has become the supplier of renowned owners of international sportswear brands, such as ^Lululemon and Under Armour, and has cooperated with them in launching a series of fashionable and functional sports products. Meanwhile, the Group also increased sales of elastic fabric and elastic webbing to its existing customers, such as PINK and VSX, sports brands of Victoria Secret, for production of such products in its sports series, thus successfully expanding space for growth.

Looking ahead of the coming year, it is anticipated that the economy of the United States will continue to grow steadily and provide strong support for the global economic recovery. On the other hand, as the economic differentiation pattern of developed nations will continue, these growth gaps between the United States and Europe, Japan and other economies will be gradually widened. However, with weakened oil prices, improved financial performance of enterprises and expected easing credit conditions in the geographic areas, the economies of Japan, Europe and emerging markets will improve to some extent. In addition, as the basic fundamentals of China's macro-economy remain to be sound, the overall economy will maintain its healthy growth and therefore the domestic consumption sentiment will be optimistic.

^ *Brands are arranged in alphabetical order.*

Due to the stronger periodicity and more resilience of lingerie as personal necessities, it is expected that the lingerie market will continue to maintain stable growth. The management of Best Pacific has a clear strategic planning for the development of the Group in the next five years. We will continue to strive for enhancing our research and development capability, conduct intensive cooperation with our customers, steadily expand our production capacity, consolidate our leading market position as the largest manufacturer of lingerie materials in the world, and further increase the market presence of the Group in the lingerie elastic fabric and elastic webbing markets. Meanwhile, the Group will take advantage of its strong market development ability to increase the sales volume of lace products rapidly through cross sales to existing customers as well as exploring new customers. In addition, we expect the sportswear materials continue to be one of our growth drivers in 2015. Against the backdrop that the emphasis of the general public on health and sports is increasing, it is anticipated that sales of sportswear will grow fast, providing good opportunities for the Group to achieve its sales growth in this segment.

In 2015, Best Pacific is committed to sharpening the Group's competitive edge in the industry. The management and operation of the Group will be further improved. As China's economy is developing and alongside the upgraded economic standardisation level, China's economy has stepped into a relative-high-cost era, including land, labour costs and other resources. In the global competitive environment, the Group needs to hold itself to the management standards of moderately developed countries, reinforce its staff's awareness, improve its management level and optimise its corporate structure while practically enhancing the core competitiveness of the Group. Secondly, the diversification and one-stop solutions will be further promoted and to be presented at a global stage. To this end, the Group will further encourage cooperation with customers and consolidate its unique position as a supplier of one-stop solutions by using its more diversified product mix and the outstanding research, development and design ability to create synergistic effect and new growth point of its products in the different areas of development.

I am confident in the future development of Best Pacific. The Group will no doubt continue to seize the opportunities from the continuous growth of the lingerie materials market in the world. Apart from leveraging on its strong market expansion capability, advanced production technologies, outstanding research, development and design ability, sound product quality and close cooperative relations with numerous renowned brand owners, the Group will also practically enhance its management standards and consolidate its unique position as a supplier of one-stop lingerie materials to further increase its market presence and to consistently add value to the Group, so as to deliver desired return to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, Best Pacific continued to be one of the leading manufacturers of lingerie materials in the world by offering a comprehensive range of products and backed by its strong research and development capability and continuous product innovation. For the year ended 31 December 2014, Best Pacific sustained satisfactory business growth leveraging on its high product quality, sizeable production scale and dedication to providing one-stop solutions to its customers, contributing to a 12.1% increase in the Group's revenue to approximately HK$1.86 billion as compared to approximately HK$1.66 billion for the year ended 31 December 2013; profit attributable to equity shareholders amounted to HK$246.9 million, while profit attributable to equity shareholders (excluding one-off listing expenses, fair value change in financial instruments and investment properties and share-based payment expenses) increased by 16.3% to HK$281.2 million as compared to the same period in 2013. The Group had demonstrated a remarkable performance with its gross profit margin and net profit margin (excluding one-off listing expenses, fair value change in financial instruments and investment properties and share-based payment expenses) for the year ended 31 December 2014 amounting to 30.5% and 15.1% respectively, as compared to 31.5% and 14.6% for the year ended 31 December 2013.

In 2014, the global economy struggled to recover. The U.S. economy experienced moderate growth and the European economy continued its slow recovery during the year. On the Asia front, China continued to record steady and solid economic growth, with smooth progress in the restructuring of its economy, and at the same time with its retail market showing signs of recovery. According to a report by Frost & Sullivan, China's lingerie market in terms of retail sales is expected to continue to grow from approximately RMB194 billion in 2013 to approximately RMB455 billion in 2018. On the other hand, improved living standard have increased people's awareness on health, causing people to seek healthier lifestyle. As economics continued to progress, a new affluent class of health-conscious females with strong purchasing power has emerged. This female consumer segment provided abundant market opportunities as these consumers have more sophisticated tastes for quality clothing, lingerie and functional sportswear. Riding on the positive prospects for the growing female consumer market, the Group seized market opportunities and further expanded its business to gain a larger market share.

Being one of the few lingerie material manufacturers in the world to provide one-stop solutions to lingerie brand owners through its comprehensive product line of lingerie materials, Best Pacific's diverse product portfolio has simplified the sourcing process for lingerie brand owners and manufacturers, its one-stop solutions strategy continued to contribute to the substantial growth of its main products — elastic fabric, elastic webbing and lace. During the year, revenue of elastic fabric and elastic webbing increased by 11.3% and 10.2% to reach approximately HK$1.20 billion and HK$620.8 million, respectively, as compared to approximately HK$1.08 billion and HK$563.5 million for the year ended 31 December 2013, representing approximately 64.4% and 33.3% of the total revenue, respectively. The Group broadened its product portfolio and tapped into the lace lingerie segment in 2012, achieving satisfactory progress. During the year, the Group has successfully collaborated with some of its existing customers to expand its business in the lace segment.

The lace segment thereby recorded revenue of approximately HK$42.1 million for the year ended 31 December 2014 as compared to approximately HK$20.0 million for the same period in 2013, representing a year-on-year growth of 110.8%.

In 2014, the Group continued its close collaboration with reputable international lingerie brands, including ^Aimer, Chantelle, Embry Form, Maniform, Marks & Spencer, Spanx, Triumph, Victoria's Secret and Wacoal. Our close collaboration with our existing customers since the early stages of product development has successfully won customer loyalty over the years, and the long-term relationships established with these brands have laid a strong foundation for the Group's development, contributing to continuous growth in revenue and operating income. Furthermore, the Group formed business alliances with existing customers to broaden its business and further increase sales though product bundling, or offering several products for sale to each customer at the same time.

Given the improvement in living standard and growing awareness on health, the sportswear market has provided tremendous room for growth in the Group's sales. In view of this opportunity, the Group further expanded its customer base from the lingerie market to the sportswear materials market, increasing sales of elastic fabric and elastic webbing to sportswear brands. Apart from boosting sales of elastic fabric and elastic webbing to Victoria's Secret for their production of sportswear in the VSX and PINK sports lines, the Group also strived to strengthen its collaboration with ^Lululemon and Under Armour, as well as other international sportswear brands.

Dedication to research and development, and constant innovation of materials and designs are the core competencies of Best Pacific. During the year, Best Pacific continued to work closely with major raw materials suppliers on the research and development of new raw materials suitable for the needs of our customers. At the same time, the Group continued to strive for further product improvements and new product developments to meet customers' specifications. While the Group continued to recruit local talents and promote innovation at its design studio in Qingdao, the Group also worked closely with a French fashion consulting firm for advice on designs and market trends so as to stay abreast of the latest market trends and customer preferences. Our research and development department also worked with the design teams of lingerie brands to turn innovative concepts into new products.

To further increase its market share and core competencies, the Group has continued to expand production capacity by establishing new production facilities and installing additional machinery. In 2014, the construction of phase V of the Group's production plant in Machong Town, Dongguan — the Group's eighth production facility — was completed, with the new facilities commencing production in the second half of 2014. The Group's production facility has seen its annual designed capacity of elastic fabric, elastic webbing and lace to increase to approximately 56.6 million metres, 942.7 million metres and 13.5 million metres, respectively.

^ *Brands are arranged in alphabetical order.*

FINANCIAL REVIEW

Revenue

The Group's revenue is primarily derived from the sales of its major products, elastic fabric, elastic webbing and lace. For the year ended 31 December 2014, revenue amounted to approximately HK$1.86 billion, representing an increase of approximately HK$201.4 million, or approximately 12.1% (2013: HK$1.66 billion). The increase in revenue during the year was mainly attributable to the increase in the volume of products sold as the result of the continued growth in the lingerie market, the global economic recovery and the Group's dedicated efforts to develop new market segments, including the lace and sportswear materials markets.

A comparison of the Group's revenue for the years ended 31 December 2013 and 2014 by product categories is as follows:

	For the year ended 31 December					
	2014		2013		Change	
	Revenue (HK$'000)	**% of Revenue**	Revenue (HK$'000)	% of Revenue	(HK$'000)	%
Elastic Fabric	**1,198,036**	**64.4**	1,075,977	64.8	122,059	11.3
Elastic Webbing	**620,775**	**33.3**	563,511	34.0	57,264	10.2
Lace	**42,070**	**2.3**	19,959	1.2	22,111	110.8
Total	**1,860,881**	**100.0**	1,659,447	100.0	201,434	12.1

For the year ended 31 December 2014, revenue from sale of elastic fabric amounted to approximately HK$1,198.0 million, representing an increase of approximately HK$122.1 million, or approximately 11.3%, as compared to last year. The growth in revenue was mainly attributable to (1) the increase in demand from lingerie brands, which achieved a historic year high; (2) the Group's continued expansion into the sportswear materials market by leveraging on its high product quality and strong innovative and research and development capability, and by fostering relationship with the different sportswear brands, which was represented by a year-on-year growth of 130.3% in sales revenue of elastic fabric as sportswear materials.

Revenue from sale of elastic webbing increased from approximately HK$563.5 million for the year ended 31 December 2013 to approximately HK$620.8 million for the year ended 31 December 2014, representing an increase of HK$57.3 million or approximately 10.2%. The growth in revenue was mainly due to the increase in orders from lingerie brands as a result of continued growth in consumer demands.

The Group further strengthened its one-stop solutions strategy, and market demand for lace remained strong, leading revenue from sales of lace to increase from approximately HK$20.0 million for the year ended 31 December 2013 to approximately HK$42.1 million for the year ended 31 December 2014, representing a year-on-year increase of 110.8%.

Cost of sales

The Group's cost of sales mainly comprises cost of raw materials, manufacturing overheads, and direct labour costs.

Cost of sales — by nature of expenses

	For the year ended 31 December					
	2014		2013		Change	
	(HK$'000)	**%**	(HK$'000)	%	(HK$'000)	%
Raw materials	**797,459**	**61.7**	681,596	59.9	115,863	17.0
Manufacturing overheads	**350,275**	**27.1**	320,130	28.2	30,145	9.4
Direct labour	**134,180**	**10.4**	121,048	10.6	13,132	10.8
Others	**10,560**	**0.8**	14,216	1.3	(3,656)	(25.7)
Total	**1,292,474**	**100.0**	1,136,990	100.0	155,484	13.7

The Group's cost of sales for the year ended 31 December 2014 amounted to approximately HK$1,292.5 million, representing an increase of approximately HK$155.5 million, or 13.7%, as compared to the year ended 31 December 2013. The increase in our cost of sales was primarily due to (1) the increase in our total sales volume; (2) the increase in the average cost of raw materials and direct labour costs; and (3) the increase in overall manufacturing overheads as a result of our continued investments in property, plant and equipment to cope with the Group's business expansion and the anticipated revenue growth.

Cost of sales — by product category

	For the year ended 31 December					
	2014		2013		Change	
	(HK$'000)	**%**	(HK$'000)	%	(HK$'000)	%
Elastic Fabric	**849,147**	**65.7**	770,643	67.8	78,504	10.2
Elastic Webbing	**419,056**	**32.4**	350,142	30.8	68,914	19.7
Lace	**24,271**	**1.9**	16,205	1.4	8,066	49.8
Total	**1,292,474**	**100.0**	1,136,990	100.0	155,484	13.7

Our cost of sales by product category as a percentage of our total cost of sales for the year ended 31 December 2014 remained relatively stable as compared to the year ended 31 December 2013.

Gross profit, gross profit margin and net profit margin

	For the year ended 31 December			
	2014		2013	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
	(HK$'000)	***(%)***	*(HK$'000)*	*(%)*
Elastic Fabric	**348,889**	**29.1**	305,334	28.4
Elastic Webbing	**201,719**	**32.5**	213,369	37.9
Lace	**17,799**	**42.3**	3,754	18.8
Total	**568,407**	**30.5**	522,457	31.5

The overall gross profit margin decreased slightly from 31.5% for the year ended 31 December 2013 to 30.5% for the year ended 31 December 2014.

The Group generally adopted a cost plus pricing model which enabled the Group to maintain a relatively stable gross profit margin.

According to the Frost & Sullivan Industry Report, the industry average for the gross profit margin of lace generally ranges from 40% to 60%. With the ramping up of production subsequent to the launch of the Group's lace products in second half of 2012, the lace segment achieved an improved gross profit margin of 42.3% for the year ended 31 December 2014 (2013: 18.8%).

Net profit for the year ended 31 December 2014 amounted to HK$246.9 million, while net profit for the year ended 31 December 2014 (excluding one-off listing expenses, fair value change in financial instruments and investment properties and share-based payment expenses) amounted to HK$281.2 million, representing an increase of approximately 16.3% when compared with the year ended 31 December 2013. Net profit margin (excluding one-off listing expenses, fair value change in financial instruments and investment properties and share-based payment expenses) increased by approximately 0.5 percentage point to 15.1% (2013: 14.6%). This was mainly due to the overall improved manufacturing efficiency, reduced finance costs and increased profit contribution by lace.

Other income

The Group's other income mainly consists of income from bank interest income, sales of scrap material income, government grants, financial guarantee income (representing the amortisation of the financial guarantee liability recognised in respect of the financial guarantee the Group provided in favour of certain related parties before IPO) and others. The following table sets forth the breakdown of the Group's other income for the years indicated:

	For the year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Bank interest income	**13,081**	4,994
Sales of scrap material income	**10,934**	6,526
Government grants	**7,385**	6,909
Financial guarantee income	**2,179**	6,874
Rental income	**676**	311
Others	**6,568**	683
Total	**40,823**	26,297

The increase in our other income from approximately HK$26.3 million for the year ended 31 December 2013 to approximately HK$40.8 million for the year ended 31 December 2014 was mainly due to (i) the increase in bank interest income, which was primarily due to the increase in average cash balance from IPO proceeds; and (ii) the increase in sales of scrap material income as a result of improved inventory management.

Other gains and losses

Other gains and losses mainly consist of foreign exchange gains and losses, change in fair value of derivative financial instruments and change in fair value of investment properties. The increase in other gains and losses of approximately HK$1.74 million was mainly resulted from the aggregate effect of net increase of exchange gains and losses.

Selling and distribution expenses

Selling and distribution expenses primarily consist of employee benefit expenses, transportation, marketing and promotional expenses and other selling and distribution expenses. For the year ended 31 December 2014, the Group's selling and distribution expenses represented approximately 4.5% of its total revenue (2013: 4.6%). The increase in selling and distribution expenses was generally in line with the increase in revenue.

Administrative expenses

Administrative expenses primarily consist of employee benefit expenses, depreciation and amortisation, motor vehicle expenses, bank charges and other administration expenses. For the year ended 31 December 2014, the Group's administrative expenses represented approximately 7.0% of its total revenue (2013: 5.4%). The increase in administrative expenses was primarily due to the increase in business scale and average employee benefit expenses. The equity-settled share-based compensation included in employee benefit expenses for the year ended 31 December 2014 was approximately HK$8.8 million (2013: Nil).

Research and development costs

The Group is dedicated to introduce innovative lingerie and sportswear materials to cater for the changing market preferences. For the years ended 31 December 2013 and 2014, our research and development costs represented approximately 2.3% of the revenue.

Listing expenses

Listing expenses represent expenses incurred for the listing and were non-recurring in nature.

Finance costs

The Group's finance costs represent interest expenses for bank borrowings, net of interest expenses capitalised. The finance costs decreased by approximately 23.4% from approximately HK$40.4 million for the year ended 31 December 2013 to approximately HK$31.0 million for the year ended 31 December 2014. The decrease in finance costs was primarily due to the decrease in bank borrowings and the refinancing of part of the Group's bank borrowings in the PRC to Hong Kong, in which interest rates was lower. A syndicated loan of HK$435 million (interest rate: Hong Kong Interbank Offered Rate plus 3.6% per annum) was raised in Hong Kong on 16 July 2013.

Income tax expense

Hong Kong profits tax was calculated at 16.5% on the estimated assessable profit for the year. Under the EIT Law and Implementation Regulation of the EIT Law, except as described below, the tax rate of the PRC subsidiaries was 25% during the years ended 31 December 2013 and 2014.

The Group's subsidiary, Dongguan BPT obtained its qualification of the Group as a high and new technology enterprise in 2010, which was valid for a three-year period since the 2011 financial year and was renewed for an additional three years from the 2014 financial year. Dongguan BPT has also completed the relevant filing requirements with the relevant tax authorities. Hence, Dongguan BPT is subject to the preferential tax treatment and the applicable tax rate of 15% for the years ended 31 December 2013 and 2014.

The effective tax rate for the years ended 31 December 2013 and 2014 remained relatively stable.

Liquidity, financial resources and bank borrowings

The Group maintains a strong and healthy financial position. As at 31 December 2014, net working capital (calculated as current assets less current liabilities) was approximately HK$718.8 million, representing an increase of HK$588.6 million, or 452.2% as compared with 31 December 2013. The current ratio (calculated as current assets/current liabilities) increased from 1.2 times as at 31 December 2013 to 1.8 times as at 31 December 2014.

Net cash generated from operating activities increased from approximately HK$345.2 million for the year ended 31 December 2013 to approximately HK$432.6 million for the year ended 31 December 2014.

During the year ended 31 December 2014, the Group invested approximately HK$649.8 million in short term bank deposits. Net cash used in investing activities for year ended 31 December 2014 amounted to approximately HK$745.2 million, as compared to net cash used in investing activities amounting to approximately HK$21.6 million for the year ended 31 December 2013.

For the year ended 31 December 2014, net cash generated from financing activities amounted to approximately HK$313.5 million (2013: net cash used in financing activities amounted to approximately HK$376.3 million), mainly attributable to the gross proceeds from the IPO of approximately HK$577.9 million.

As at 31 December 2014, the Group's gearing ratio was 40.9% (31 December 2013: 95.8%), which was calculated on the basis of the amount of total bank borrowings as a percentage of total equity. The Group was in a net cash position as at 31 December 2014 while the net gearing ratio as at 31 December 2013, which was calculated on the basis of the amount of total bank borrowings less cash and cash equivalents and pledged bank deposits as a percentage of the total equity, was 72.5%.

Working capital management

	As at 31 December			
	2014	2013	Change	
			(days)	*(%)*
Inventory turnover days	**94.0**	88.0	6.0	6.8
Trade and bills receivables turnover days	**85.5**	91.9	(6.4)	(7.0)
Trade and bills payables turnover days	**94.1**	88.7	5.4	6.1

The increase in inventory turnover days and trade and bills payables turnover days for the year ended 31 December 2014 by 6.0 days and 5.4 days was primarily due to the increase in average inventory and trade and bills payables balances as a result of increase in business scale.

The decrease in trade and bills receivables turnover days from 91.9 days for the year ended 31 December 2013 to 85.5 days for the year ended 31 December 2014 was primarily attributable to the decrease of trade and bills receivables as a result of improvement of management of trade receivables.

Capital expenditure

For the year ended 31 December 2014, total addition to property, plant and equipment amounted to approximately HK$189.2 million (2013: HK$234.8 million), and was mainly attributed to the increase in investment in machinery of approximately HK$155.5 million (2013: HK$137.1 million) to cope with the Group's overall business expansion.

Pledge of assets

The Group has pledged certain trade receivables, bank deposits, property, plant and equipment, prepaid lease payments and available-for-sale financial assets to secure the bank borrowings granted to and bills payable issued by the Group for the year ended 31 December 2013. All assets had been released during the year 2014 except for bank deposits and certain equipment amounted to approximately HK$85.1 million and HK$114.6 million respectively, are pledged to secure the bills payables issued by and bank borrowings granted to the Group during the ordinary course of business as at 31 December 2014.

The carrying amounts of the assets pledged are as follows:

	As at 31 December	
	2014	2013
	(HK$'000)	*(HK$'000)*
Trade receivables	**–**	169,283
Pledged bank deposits	**85,147**	96,107
Property, plant and equipment	**114,639**	187,959
Investment properties	**–**	72,152
Prepaid lease payments	**–**	31,038
Available-for-sale financial assets	**–**	2,979
Total	**199,786**	559,518

Contingent liabilities

As at 31 December 2014, the Group did not have any significant contingent liabilities.

Events after the reporting period

The Group has no significant events after the reporting period and up to the date of this announcement.

Foreign exchange risk

As a substantial portion of our revenue is denominated in U.S. dollars and Hong Kong dollars and a portion of our purchases and expenses are denominated in RMB, the Group manages its foreign exchange risk by performing regular reviews and monitoring its foreign exchange exposure. Our finance department will monitor our foreign exchange risk on a continuous basis by analysing our domestic and overseas sales order on hand, expected domestic and overseas orders from customers and estimated foreign currency payment for our purchases. We intend to manage our foreign exchange risks by (i) managing our sales, purchases and expenses denominated in Hong Kong dollars and U.S. dollars through our Hong Kong subsidiaries and managing our sales, purchases and expenses denominated in RMB through our PRC subsidiaries; and (ii) holding cash and bank deposits denominated in RMB primarily by our PRC subsidiaries and cash and bank deposits denominated in Hong Kong and U.S. dollars primarily by our Company and Hong Kong subsidiaries.

Use of proceeds

As stated in the prospectus of the Company dated 13 May 2014 (the "**Prospectus**"), the Group planned to use the proceeds from the IPO mainly for increasing production capacity and settling syndicated loan installments. The total net proceeds from the IPO amounted to approximately HK$527.7 million. For the period from the Listing Date to 31 December 2014, the Group's total cost of purchasing new machineries and settling syndicated loan installment, by using the proceeds from the IPO, amounted to approximately HK$120.2 million. Unutilised net proceeds as at 31 December 2014 amounted to HK$407.5 million, which was deposited in licensed banks in Hong Kong and the PRC. The Company intends to use the remaining net proceeds in the year of 2015 in accordance with the purposes set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Employees and remuneration policies

As at 31 December 2014, the Group employed a total of 3,745 full-time employees (as of 31 December 2013: 3,230). The increase in the number of headcount was mainly due to the increase in business scale. There was no significant change in the Group's remuneration policy and the Group will continue to provide regular training and competitive remuneration packages to its staff. The Group's remuneration packages include salary, bonuses, allowances and retirement benefits, based on employee's performance, skills and knowledge. The Group also provides additional benefits to its employees, such as subsidised accommodation, meals, accident and medical insurance and share options granted to eligible employees under share option schemes of the Company.

FUTURE STRATEGIES AND PROSPECTS

Stepping into 2015, the world economy is expected to recover at a moderate pace, and the Chinese economy is also expected to grow steadily with its solid foundation and the ongoing political and social reforms in China. The overall consumer market shall remain stable with opportunities arising from evolving lifestyle and more sophisticated consumer demands for quality products. With regard to the global lingerie market, the Group holds an optimistic view towards the market's future development as the continuous improvement in living standard and growing demand for better quality lingerie in terms of texture, functionality and design shall drive the market expansion. According to the Frost & Sullivan Industry Report, sales revenue for the global lingerie materials market reached approximately US$7.5 billion in 2012, and is expected to grow to approximately US$9.5 billion in 2016. The Group will be able to benefit from this industry development by leveraging on its ability to provide a comprehensive range of lingerie materials in one-stop. The Group will strive to maintain its market position as a world-leading manufacturer of lingerie materials, and to increase its market share by tapping the growth potential in the industry.

Eyeing the immense market opportunities ahead, the Group will further enhance productivity in 2015. The Group completed the construction of its eighth production facility in 2014, and this new facility has already commenced production. The Group plans to start construction of its ninth production facility (namely phase VI) in 2015, which will have a gross floor area of approximately 34,858 square metres. Construction of new production facilities shall enhance the Group's ability to cope with its future business growth.

The Group will also continue to broaden its customer base by expanding into new segments and markets. Riding on the Group's success in tapping the lace business segment since 2012, we will further increase the sale of lace products to new and existing customers to improve our sales revenue and overall profitability. We expect our lace business to become one of the key growth drivers going forward and will further increase production capacity of lace from approximately 4.8 million metres per annum in 2013 to approximately 20.1 million metres per annum by 2015 to keep up with the robust development in this segment.

Changing lifestyle and growing participation in sports, especially among female consumers, are also creating opportunities for the Group's elastic fabric and elastic webbing businesses. The Group will seek to enhance its presence in sportswear materials market by offering elastic fabric and elastic webbing to sportswear brand owners or sportswear manufacturers for the production of sportswear such as sports bras, cycling, running and yoga outfits and casual apparel. We will continue to develop our sportswear business in 2015, and we expect it to emerge as another key growth driver for the Group going forward.

The Group will continue to upgrade its research and development and design capability in order to further strengthen and maintain its collaboration with lingerie brands and raw materials suppliers to provide more innovative and original products. In 2015, we will continue to optimise the standard of our management team and recruit more young employees to join our fast growing team so as to increase the team resilience. We believe our experienced management team has been a key to our success in the past, and will continue to contribute to our growth in the future. We will also further promote our one-stop solutions business strategy to strengthen our collaboration with existing clients and we will actively seek new business opportunities to expand our market share and sustain our business growth in the long run.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities since the Listing Date.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the three independent non-executive Directors (being Mr. Sai Chun Yu, Mr. Cheung Yat Ming and Mr. Ding Baoshan), has reviewed with management the consolidated financial statements of the Group for the year ended 31 December 2014, including accounting principles and practices adopted by the Group, and discussed the relevant financial reporting matters.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

FINAL DIVIDEND

The Board has resolved to declare a final dividend of HK5 cents per ordinary share in respect of the year ended 31 December 2014 (the "**Final Dividend**"). The Final Dividend is expected to be paid on or about 27 May 2015 to all shareholders whose names appear on the register of members of the Company on 15 May 2015, subject to the approval by the shareholders at the forthcoming Annual General Meeting on 11 May 2015 (the "**AGM**"). An interim dividend of HK3.5 cents per share was paid by the Company on 30 September 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6 May 2015 to 11 May 2015, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of shareholders who are entitled to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged not later than 4:30 p.m. on 5 May 2015 with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Subject to the approval of shareholders at the forthcoming AGM, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company on 15 May 2015 and the register of members of the Company will be closed on 15 May 2015, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates shall be lodged not later than 4:30 p.m. on 14 May 2015 with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standard of corporate governance which is essential to the sustainable development and growth of the Company. Since the Listing Date, the Company has devoted efforts to put in place various policies and procedures in compliance with the principles and code provisions as set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange. The Board is of the view that the Company has met all the applicable code provisions set out in the CG Code throughout the period from the Listing Date to 31 December 2014.

APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, bankers and other business associates for their trust and support.

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

Hong Kong, 16 March 2015

As at the date of this announcement, the Board comprises Mr. Lu Yuguang, Mr. Zhang Haitao, Mr. Wu Shaolun, Mr. Cheung Yat Ming, Mr. Ding Baoshan* and Mr. Sai Chun Yu*.*

* *Independent non-executive Director*