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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

HIGHLIGHTS

- The Group's revenue for the six months ended 30 June 2015 amounted to HK$911.4 million, representing an increase of approximately 7.8% when compared to the six months ended 30 June 2014.

  Sales revenue of elastic fabric as sportswear materials achieved a period-on-period growth of 108.1%.

  Revenue from sales of lace increased from approximately HK$17.6 million for the six months ended 30 June 2014 to approximately HK$32.8 million for the six months ended 30 June 2015, representing a growth of approximately 86.9%.

- The Group's gross profit for the six months ended 30 June 2015 amounted to HK$284.7 million, an increase of approximately 10.0% when compared to the six months ended 30 June 2014. Gross profit margin increased by 0.6 percentage point to approximately 31.2%, as compared to the six months ended 30 June 2014.

- Net profit for the six months ended 30 June 2015 amounted to approximately HK$137.6 million, representing an increase of approximately 44% as compared to approximately HK$95.6 million for the six months ended 30 June 2014. The Group achieved an improved net profit margin of approximately 15.1% for the same period, representing a growth of 3.8 percentage points, as compared to 11.3% for the six months ended 30 June 2014.

- Net profit (excluding one-off listing expenses, fair value change in financial instruments and investment properties and share-based payment expenses) increased from HK$123.1 million for the six months ended 30 June 2014 to HK$144.0 million for the six months ended 30 June 2015, with the normalised net profit margin increased by approximately 1.2 percentage points, from 14.6% to 15.8%.

- Basic earnings per share was HK13.51 cents for the six months ended 30 June 2015, representing an increase of approximately 13.9% from HK11.86 cents for the six months ended 30 June 2014.

- Proposed to declare an interim dividend of HK5.3 cents per share in respect of the six months ended 30 June 2015.

The board of directors (the "**Board**") of Best Pacific International Holdings Limited (the "**Company**" or "**Best Pacific**") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2015, together with the comparative figures for the six months ended 30 June 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015 (unaudited)

		Six months ended	
		30.6.2015	30.6.2014
	Notes	**HK$'000**	HK$'000
		(unaudited)	(unaudited)
Revenue	*4*	**911,424**	845,649
Cost of sales		**(626,698)**	(586,872)
Gross profit		**284,726**	258,777
Other income		**21,980**	11,072
Other gains and losses		**5,724**	1,629
Selling and distribution expenses		**(46,096)**	(39,931)
Administrative expenses		**(62,723)**	(51,379)
Research and development costs		**(21,411)**	(20,157)
Listing expenses		**–**	(23,518)
Finance costs		**(13,042)**	(16,378)
Profit before taxation	*5*	**169,158**	120,115
Income tax expense	*6*	**(31,510)**	(24,560)
Profit for the period		**137,648**	95,555
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**191**	(7,142)
Fair value gain on available-for-sale financial assets		**120**	149
Other comprehensive income (expense) for the period		**311**	(6,993)
Total comprehensive income for the period attributable to owners of the Company		**137,959**	88,562
Earnings per share	*8*		
Basic (HK cents)		**13.51**	11.86
Diluted (HK cents)		**13.33**	11.85

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015 (unaudited)

	Notes	**30.6.2015 HK$'000 (unaudited)**	31.12.2014 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*9*	**1,114,117**	1,105,685
Prepaid lease payments		**42,975**	43,481
Deposits		**13,546**	26,182
Available-for-sale financial assets		**3,017**	2,897
Deferred tax assets		**3,574**	3,622
		1,177,229	1,181,867
Current assets			
Inventories		**338,072**	347,658
Prepaid lease payments		**1,013**	1,013
Trade and bills receivables	*10*	**402,281**	418,615
Other receivables, deposits and prepayments		**44,122**	33,979
Pledged bank deposits		**61,797**	85,147
Short term bank deposits		**694,992**	649,792
Bank balances and cash		**87,329**	94,793
		1,629,606	1,630,997
Current liabilities			
Trade payable	*11*	**93,822**	85,774
Bills payable	*11*	**205,495**	270,779
Other payables and accrued charges		**113,604**	101,336
Obligations under finance leases		**13,411**	20,629
Bank borrowings	*12*	**441,604**	401,863
Taxation payable		**33,406**	31,862
		901,342	912,243
Net current assets		**728,264**	718,754
Total assets less current liabilities		**1,905,493**	1,900,621

	Notes	**30.6.2015** **HK$'000** **(unaudited)**	31.12.2014 HK$'000 (audited)
Non-current liabilities			
Obligations under finance leases		**11,207**	16,385
Bank borrowings	*12*	**174,000**	258,972
Deferred income		**7,916**	8,486
		193,123	283,843
Net assets		**1,712,370**	1,616,778
Capital and reserves			
Share capital	*13*	**10,208**	10,188
Reserves		**1,702,162**	1,606,590
Total equity attributable to owners of the Company		**1,712,370**	1,616,778

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

For the six months ended 30 June 2015

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 parent 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**"). 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.

The address of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the interim report. The principal activities of the Group are manufacturing and trading of elastic fabric, elastic webbing and lace.

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 June 2015 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

In the preparation for the listing of the Company's shares on the Stock Exchange, the Company underwent a group reorganisation ("**Reorganisation**") on 16 January 2014 and the Company became the holding company of the companies now comprising the Group on the same date. The Group have been under the common control of Mr. Lu throughout the six months ended 30 June 2014. Details of the Reorganisation are set out in the Group's consolidated financial statements for the year ended 31 December 2014.

The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 June 2014 include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the respective periods.

3. PRINCIPAL ACCOUNTING POLICIES

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are mandatorily effective for the accounting period beginning on or after 1 January 2015.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2014.

4. SEGMENT INFORMATION

The financial information reported to the 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 and sportswear 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 six months ended 30 June 2015 (unaudited)

	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	**590,577**	**320,847**	**911,424**
Segment profits	**98,197**	**77,109**	**175,306**
Unallocated other income			**16,910**
Unallocated other gains and losses			**5,245**
Unallocated corporate expenses			**(15,261)**
Finance costs			**(13,042)**
Profit before taxation			**169,158**

For the six months ended 30 June 2014 (unaudited)

	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	549,279	296,370	845,649
Segment profits	92,137	70,852	162,989
Unallocated other income			3,113
Unallocated other gains and losses			1,629
Unallocated corporate expenses			(31,238)
Finance costs			(16,378)
Profit before taxation			120,115

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, 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 functions. 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 segments:

As at 30 June 2015 (unaudited)

	Manufacturing and trading of elastic fabric and lace HK$'000	**Manufacturing and trading of elastic webbing HK$'000**	**Total HK$'000**
ASSETS			
Segment assets	**1,491,204**	**435,226**	**1,926,430**
Property, plant and equipment			**3,646**
Available-for-sale financial assets			**3,017**
Deferred tax assets			**3,574**
Other receivables, deposits and prepayments			**26,050**
Pledged bank deposits			**61,797**
Short term bank deposits			**694,992**
Bank balances and cash			**87,329**
Total assets			**2,806,835**

	Manufacturing and trading of elastic fabric and lace HK$'000	**Manufacturing and trading of elastic webbing HK$'000**	**Total HK$'000**
LIABILITIES			
Segment liabilities	**256,698**	**155,011**	**411,709**
Other payables and accrued charges			**9,128**
Obligations under finance leases			**24,618**
Bank borrowings			**615,604**
Tax payable			**33,406**
Total liabilities			**1,094,465**

As at 31 December 2014 (audited)

	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
Available-for-sale financial assets			2,897
Deferred tax assets			3,622
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

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

- all assets are allocated to operating and reportable segments, other than available-for-sale financial assets, deferred tax assets, 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 and certain corporate liabilities.

5. PROFIT BEFORE TAXATION

	Six months ended 30.6.2015 HK$'000 (unaudited)	Six months ended 30.6.2014 HK$'000 (unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**63,739**	54,850
Amortisation of prepaid lease payments	**506**	506
Cost of inventories recognised as an expense	**626,698**	586,872
including: reversal of allowance for obsolete inventories *(Note)*	**(988)**	(1,298)
Bank interest income (included in other income)	**(14,720)**	(1,255)
Gross rental income from properties (included in other income)	**304**	70
Government grants (included in other income)	**1,823**	3,905
Proceeds from sales of scrap materials (included in other income)	**3,631**	3,663
Financial guarantee income (included in other income)	**–**	2,179
Change in fair value of derivative financial instruments (included in other gains and losses)	**–**	(508)
Change in fair value of investment properties (included in other gains and losses)	**–**	2,532
Net foreign exchange gain (included in other gains and losses)	**(5,245)**	(3,653)
Equity-settled share base payments (included in administrative expenses)	**6,375**	2,035

Note: During the six months ended 30 June 2015 and 2014, certain slow moving inventories, which were previously written down, were utilised or sold. Therefore reversal of allowance for obsolete inventories is recognised to profit or loss.

6. INCOME TAX EXPENSE

	Six months ended 30.6.2015 HK$'000 (unaudited)	Six months ended 30.6.2014 HK$'000 (unaudited)
Current tax:		
Hong Kong Profits Tax	**6,647**	16,203
The PRC Enterprise Income Tax ("**EIT**")	**24,815**	11,435
	31,462	27,638
Deferred taxation	**48**	(3,078)
	31,510	24,560

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

Under the Law of the People's Republic of China (the "**PRC**") 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% during both periods.

The Company's subsidiary, Dongguan Best Pacific Textile Company Limited ("**Dongguan BPT**"), 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 six months ended 30 June 2014 and 2015 is 15%.

7. DIVIDENDS

During the current interim period, a final dividend of HK5 cents per share in respect of the year ended 31 December 2014 was declared and paid to the shareholders of the Company. The aggregate amount of final dividend declared which are paid in the current interim period amounted to HK$50,939,000.

No dividends were paid, declared or proposed by the Company during the six months ended 30 June 2014.

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK5.3 cents (2014: HK3.5 cents) per share will be paid to the owners of the Company whose names appear in the register of members on 7 September 2015.

8. 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:

	Six months ended	
	30.6.2015 (unaudited)	30.6.2014 (unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the period attributable to owners of the Company) (HK$'000)	**137,648**	95,555
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,018,982,244**	805,522,856
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**13,736,428**	97,731
Over-allotment option from initial public offering	**–**	394,642
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,032,718,672**	806,015,229

The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 June 2014 had been adjusted for the capitalisation issue on 23 May 2014 as disclosed in note 13 and taken into consideration the effect of the Reorganisation.

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, total addition to property, plant and equipment were approximately HK$72,335,000 (six months ended 30 June 2014: HK$57,767,000), which mainly included addition of machinery of approximately HK$63,764,000 (six months ended 30 June 2014: HK$55,387,000).

10. TRADE AND BILLS RECEIVABLES

Trade receivables from third parties mainly represent receivables from customers in relation to the sale of elastic fabric and lace and elastic webbing to the 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 an aged analysis of bills receivable presented based on the date of issuance of the bills at the end of each reporting period.

	30.6.2015	31.12.2014
	HK$'000	HK$'000
	(unaudited)	(audited)
Trade receivables		
0–90 days	**379,854**	383,878
91–180 days	**12,673**	20,864
Over 180 days	**9,754**	7,198
	402,281	411,940
Bills receivables		
0–90 days	**–**	6,041
91–180 days	**–**	634
	–	6,675
	402,281	418,615

11. TRADE AND BILLS PAYABLES

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:

	30.6.2015	31.12.2014
	HK$'000	HK$'000
	(unaudited)	(audited)
0–90 days	**85,173**	76,198
Over 90 days	**8,649**	9,576
	93,822	85,774

Bills payable

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

	30.6.2015	31.12.2014
	HK$'000	HK$'000
	(unaudited)	(audited)
0–90 days	**144,568**	194,755
91–180 days	**60,927**	76,024
	205,495	270,779

12. BANK BORROWINGS

	30.6.2015	31.12.2014
	HK$'000	HK$'000
	(unaudited)	(audited)
Unsecured syndicated loans	**322,193**	385,415
Unsecured bank borrowings	**293,411**	275,420
	615,604	660,835
Carrying amount repayable*:		
Within one year	**426,753**	381,788
More than one year, but not exceeding two years	**183,733**	271,495
More than two years, but not more than five years	**5,118**	7,552
	615,604	660,835
Less: Amounts due within one year and/or contain a repayment on demand clause shown under current liabilities	**(441,604)**	(401,863)
Amounts shown under non-current liabilities	**174,000**	258,972
Carrying amount of bank borrowings that are repayable within one year and contain a repayment on demand clause	**216,823**	156,753
Carrying amount of bank borrowings that are repayable more than one year but contain a repayment on demand clause	**14,851**	20,075
	231,674	176,828

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

The unsecured syndicated loans are guaranteed by group companies and the loans are repayable by instalments from 16 July 2014 to 16 July 2016.

The unsecured bank borrowings are guaranteed by group companies, as at 30 June 2015 and 31 December 2014.

13. SHARE CAPITAL

On 3, 10, 17 and 24 June 2015, the Company issued 508,000, 748,000, 188,000 and 600,000 shares respectively upon the exercise of share options by a Director and certain employees. These shares rank pari passu in all respects with other shares in issue.

As a part of the Reorganisation, on 16 January 2014, 331,500 shares, 39,000 shares and 19,500 shares were allotted and issued at par value to Grandview, Sunbrilliant Capital Investment Limited and Lakefront Capital Investment Limited, 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 option 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 detail movements of the Company's share capital are set out below.

	Number of shares	**Amount**	
		HK$	HK$'000
Ordinary shares of HK$0.01 each			
Authorised:			
At 1 January 2014	39,000,000	390,000	390
Increase on 8 May 2014	49,961,000,000	499,610,000	499,610
At 30 June 2014, 1 January 2015 and 30 June 2015	50,000,000,000	500,000,000	500,000
Issued and fully paid:			
At 1 January 2014	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 30 June 2014	1,018,778,000	10,187,780	10,188
At 1 January 2015	1,018,778,000	10,187,780	10,188
Issue of shares upon exercise of share options	2,044,000	20,440	20
At 30 June 2015	1,020,822,000	10,208,220	10,208

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Being a leading one-stop solutions provider of lingerie materials boasting unparalleled product variety and innovation, Best Pacific continued to achieve satisfactory growth for the six months ended 30 June 2015. During the period, the Group's revenue increased by 7.8% to approximately HK$911.4 million over the last corresponding period. Profit attributable to equity shareholders increased by approximately 44% to HK$137.6 million, reaching the Group's historical high half-year profit. Driven by the improvement in profitability for the lace segment, as well as lower raw material costs and increased cost effectiveness brought about by economies of scale, the Group's gross profit margin and net profit margin increased to 31.2% and 15.1% respectively, compared with 30.6% and 11.3% for the six months ended 30 June 2014. The profit attributable to equity shareholders (excluding the share-based payment expenses, one-off listing expenses, fair value change in financial instruments and investment properties) increased by 17.0% to HK$144.0 million, as compared to the last corresponding period.

During the first half of 2015, the macroeconomic environment remained challenging due to complex global and domestic economic conditions. Though the U.S. economy continued to recover with nominal gross domestic product ("**GDP**"), the European economy stalled, debt and budget crises clouded the Eurozone with uncertainties. Meanwhile, there is considerable downward pressure on China's economic growth. According to the National Bureau of Statistics of China, the country's GDP grew by 7.0% to RMB29.69 trillion in the first half of 2015, representing a mild deceleration of growth as compared with the growth rate of 7.4% in 2014. According to the National Bureau of Statistics of China, China's manufacturing Purchasing Managers' Index recorded continuous decline entering 2015 and reached 50.0 in July which was the weakest in five months, demonstrating sluggishness in the manufacturing sector.

In face of this mixed operating environment, Best Pacific further reinforced its positioning as a one-stop solutions provider, enhanced close collaboration with leading brands and actively explored growth potentials in the lace and sportswear market. As a result, the Group was able to further boost sales and sustain revenue growth despite market fluctuations.

During the period, the Group sustained satisfactory growth for its three core comprehensive segments, comprising elastic fabric, elastic webbing and lace. Benefiting from the improved economy in the U.S., being the Group's largest market, sales revenue of elastic fabric and webbing increased by 4.9% and 8.3% to reach approximately HK$557.8 million and HK$320.8 million respectively, over the last corresponding period (1H2014: HK$531.7 million and HK$296.4 million), representing 61.2% and 35.2% of total revenue, respectively. Meanwhile, with expanded sales aided by cross-selling to existing customers, revenue for the lace segment surged 86.9% to HK$32.8 million for the current review period (1H2014: HK$17.6 million), with increased share in total revenue to 3.6% (1H2014: 2.1%).

In the first half of 2015, Best Pacific continued to maintain its longstanding and close collaborations with leading international lingerie brands, including ^Aimer, Chantelle, Embry Form, Maniform, Marks & Spencer, Spanx, Triumph, Victoria's Secret and Wacoal, laying a solid foundation for its continuous growth in revenue and operating income. In addition to the lingerie market, the Group has strived to capture the immense opportunities in the global sportswear market. With strong growth seen in demand for sportswear and fitness apparel, the Group further expanded its business into the sportswear materials market by leveraging its existing customer base, as well as facilities and knowledge of elastic fabric and elastic webbing production. During the first half of 2015, the Group further deepened its partnership with Victoria's Secret by supplying sportswear materials for its PINK and VSX sports lines, and reinforced collaboration with ^Lululemon and Under Armour, as well as other international sportswear brands. Riding on the favorable industry growth and close relationships with leading sportswear brands, revenue from the Group's sales of sportswear materials increased by 108.1% in the first half of 2015, as compared to the same period of 2014.

Research and development capabilities have always been one of our core competencies, which are critical to successfully building our unique value proposition as a one-stop solutions provider and also maintaining our leading market position. In the first half of 2015, Best Pacific continued to jointly develop new raw materials with leading lingerie brands and manufacturers to meet customers' specifications and to create innovative and revolutionary products. The Group's outstanding research and development capabilities not only enabled it to secure its profitability by providing newly-developed products to clients on an exclusive basis, but also helped us to explore new growth drivers through strategically expanding our product categories, such as materials for sports shoes.

Given the accelerated demand of lingerie products and sportswear, the Group strived to expand production capacity to fuel sales volume growth and enhance market share. The completion of construction at our phase V production plant in Machong Town, Dongguan — the eighth production facility — has brought our annual designed production capacity of elastic fabric, elastic webbing and lace to approximately 57.9 million meters, 959.4 million meters and 16.8 million meters, as of 30 June 2015, respectively. Construction of our phase VI production plant — the ninth production facility — is expected to commence shortly this year. The plant will have a gross floor area of approximately 35,000 square meters.

^ Brands are arranged in alphabetical order.

THE GROUP'S OPERATING RESULTS

The Group's revenue is primarily derived from the sales of its major products, elastic fabric, elastic webbing and lace. For the six months ended 30 June 2015, revenue amounted to approximately HK$911.4 million, representing an increase of approximately HK$65.8 million, or approximately 7.8%, from HK$845.6 million for the six months ended 30 June 2014. The increase in revenue during the period was mainly attributable to the increase in the volume of products sold as a result of the continuous growth in global lingerie market and improved U.S. economy, as well as the Group's dedicated effort in strengthening its one-stop solutions strategy as well as the continual expansion into the new sportswear business segment.

A comparison of the Group's revenue for the six months ended 30 June 2015 and the six months ended 30 June 2014 by product categories is as follows:

	Six months ended 30 June					
	2015		2014		Change	
	Revenue (HK$'000)	**% of Revenue**	Revenue (HK$'000)	% of Revenue	(HK$'000)	%
Elastic fabric	**557,750**	**61.2**	531,714	62.9	26,036	4.9
Elastic webbing	**320,847**	**35.2**	296,370	35.0	24,477	8.3
Lace	**32,827**	**3.6**	17,565	2.1	15,262	86.9
Total	**911,424**	**100.0**	845,649	100.0	65,775	7.8

For the six months ended 30 June 2015, revenue from sales of elastic fabric amounted to HK$557.8 million, representing an increase of approximately HK$26.0 million, or approximately 4.9%, as compared to the six months ended 30 June 2014. The growth in revenue was mainly driven by the Group's continued expansion into the sportswear materials market by leveraging on its high product quality, strong innovation research and development capability, and by fostering relationships with different sportswear brands, which were represented by a period-on-period growth of 108.1% in sales revenue of elastic fabric as sportswear materials.

Revenue from the sales of elastic webbing amounted to HK$320.8 million, representing an increase of approximately HK$24.5 million, or approximately 8.3%, as compared to the six months ended 30 June 2014. The growth in revenue was mainly due to the increase in orders from lingerie brands as a result of continued growth in consumer demands as well as the Group's dedication in cross-selling its primary lingerie products.

Benefiting from the Group's one-stop solutions strategy, and strong market demand for lace, revenue from sales of lace increased from approximately HK$17.6 million for the six months ended 30 June 2014 to approximately HK$32.8 million for the six months ended 30 June 2015, giving a period-on-period growth of approximately 86.9%.

Cost of sales and gross profit

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

	Six months ended 30 June					
	2015		2014		Change	
	(HK$'000)	**%**	(HK$'000)	%	(HK$'000)	%
Direct labour	**76,403**	**12.2**	58,640	10.0	17,763	30.3
Raw materials	**363,088**	**57.9**	354,172	60.3	8,916	2.5
Manufacturing overheads	**182,135**	**29.1**	168,748	28.8	13,387	7.9
Others	**5,072**	**0.8**	5,312	0.9	(240)	(4.5)
Total	**626,698**	**100.0**	586,872	100.0	39,826	6.8

The Group's cost of sales for the six months ended 30 June 2015 amounted to approximately HK$626.7 million, representing an increase of approximately HK$39.8 million, or approximately 6.8%, as compared to the six months ended 30 June 2014. The increase in our cost of sales was primarily due to (1) the increase in our total sales volume; (2) the increase in direct labour costs as a result of increase in both wages and headcounts; and (3) the increase in overall manufacturing overheads driven by the Group's continued investments in property, plant and equipment to cope with our business expansion and the anticipated growth in demand of our products.

Cost of sales — by product category

	Six months ended 30 June					
	2015		2014		Change	
	(HK$'000)	**%**	(HK$'000)	%	(HK$'000)	%
Elastic fabric	**394,536**	**63.0**	378,884	64.6	15,652	4.1
Elastic webbing	**215,304**	**34.3**	197,913	33.7	17,391	8.8
Lace	**16,858**	**2.7**	10,075	1.7	6,783	67.3
Total	**626,698**	**100.0**	586,872	100.0	39,826	6.8

The cost of sales by product category as a percentage of the total cost of sales for the six months ended 30 June 2015 remained relatively stable as compared to the six months ended 30 June 2014.

Gross profit, gross profit margin and net profit margin

	Six months ended 30 June			
	2015		2014	
	Gross profit (HK$'000)	**Gross profit margin** *(%)*	Gross profit (HK$'000)	Gross profit margin *(%)*
Elastic fabric	**163,214**	**29.3**	152,830	28.7
Elastic webbing	**105,543**	**32.9**	98,457	33.2
Lace	**15,969**	**48.6**	7,490	42.6
	284,726	**31.2**	258,777	30.6

The overall gross profit increased from approximately HK$258.8 million for the six months ended 30 June 2014 to approximately HK$284.7 million for the six months ended 30 June 2015. The Group's gross profit margin for the six months ended 30 June 2015 increased by approximately 0.6 percentage point to 31.2%, as compared to 30.6% for the six months ended 30 June 2014. The improved gross profit margin was mainly driven by the lower raw material costs and the increased cost effectiveness brought by the economies of scale as a result of the continual expansion in our product categories.

The Group generally adopts a cost plus pricing model which has 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 continual ramping up of production subsequent to the launch of the Group's lace products in the second half of 2012, and benefiting from the economies of scale, gross profit margin of lace segment further improved by six percentage points, from 42.6% for the six months ended 30 June 2014 to 48.6% for the six months ended 30 June 2015.

Net profit for the six months ended 30 June 2015 amounted to approximately HK$137.6 million, representing an increase of approximately 44% as compared to approximately HK$95.6 million for the six months ended 30 June 2014. The Group achieved an improved net profit margin of approximately 15.1% for the same period, representing a growth of 3.8 percentage points.

On the other hand, net profit (excluding one-off listing expenses, fair value change in financial instruments and investment properties and share-based payment expenses) increased from HK$123.1 million for the six months ended 30 June 2014 to HK$144.0 million for the six months ended 30 June 2015, with the normalised net profit margin increased by approximately 1.2 percentage points, from 14.6% to 15.8%, reaching the Group historical high record. It was mainly driven by the overall improved manufacturing efficiency, increased interest income from banks, reduction in finance costs, and improved profit contribution by lace.

Other income

The Group's other income mainly consists of bank interest income, income from sales of scrap materials, government grants and others. The following table sets forth the breakdown of the Group's other income for the periods indicated:

	Six months ended 30 June	
	2015	2014
	(HK$'000)	(HK$'000)
Bank interest income	**14,720**	1,255
Sales of scrap material income	**3,631**	3,663
Government grants	**1,823**	3,905
Financial guarantee income	**–**	2,179
Rental income	**304**	70
Others	**1,502**	–
Total	**21,980**	11,072

The increase in other income by 98.5%, from approximately HK$11.1 million for the six months ended 30 June 2014 to approximately HK$22.0 million for the six months ended 30 June 2015, was mainly driven by the increase in bank interest income as a result of certain net proceeds from the initial public offering deposited in licensed banks in Hong Kong and the PRC, and the improvement in the Group's efficiency in managing its capital.

Other gains and losses

Other gains and losses mainly consist of foreign 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 six months ended 30 June 2014 and 2015, the Group's selling and distribution expenses represented approximately 4.7% and 5.1% of its total revenue, respectively. 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 six months ended 30 June 2014 and 2015, the Group's administrative expenses represented approximately 6.1% and 6.9% of its total revenue, respectively. 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 six months ended 30 June 2015 was approximately HK$6.4 million (1H2014: HK$2.0 million).

Research and development costs

The Group is dedicated to catering to the changing market preferences by introducing innovative lingerie and sportswear materials. For the six months ended 30 June 2014 and 2015, our research and development costs represented approximately 2.4% and 2.3% of the revenue respectively.

Listing expenses

Listing expenses for the six months ended 30 June 2014 represented expenses incurred for the listing and were non-recurring in nature. These was no listing expense incurred for the six months ended 30 June 2015.

Finance costs

The Group's finance costs represent interest expenses for bank borrowings, net of interest expenses capitalised. The finance costs decreased by approximately 20.4% from approximately HK$16.4 million for the six months ended 30 June 2014 to approximately HK$13.0 million for the six months ended 30 June 2015. The decrease in finance costs was primarily due to the decrease in average balance in bank borrowings across the periods.

Income tax expense

Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profit for the period ended. 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 six months ended 30 June 2014 and the six months ended 30 June 2015.

The Group's subsidiary, Dongguan BPT obtained its qualification 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 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 six months ended 30 June 2014 and 2015.

The effective tax rate decreased from 20.4% for the six months ended 30 June 2014 to 18.6% for the six months ended 30 June 2015.

Liquidity, financial resources and bank borrowings

The Group maintains a strong and healthy financial position. As at 30 June 2015, net working capital (calculated as current assets less current liabilities) was approximately HK$728.3 million, representing an increase of HK$9.5 million as compared with 31 December 2014. The current ratio (calculated as current assets/current liabilities) remains stable at 1.8 times as at 30 June 2015 and 31 December 2014.

For the six months ended 30 June 2015, net cash generated from operating activities amounted to HK$189.9 million. Net cash used in investing activities amounted to HK$78.1 million for the six months ended 30 June 2015, as compared to HK$119.0 million for the six months ended 30 June 2014. For investing activities, the Group invested approximately HK$389.3 million in short term bank deposits and HK$59.6 million in new property, plant and equipment.

During the six months ended 30 June 2015, net cash used in financing activities amounted to approximately HK$119.4 million, as compared to net cash generated from financing activities of HK$316.8 million for the six months ended 30 June 2014. The positive cash inflow from financing activities for the six months ended 30 June 2014 was mainly due to the proceeds from issue of new shares.

As at 30 June 2015, the Group's gearing ratio was 36.0% (31 December 2014: 40.9%), 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 of approximately HK$228.5 million, as compared to HK$168.9 million as at 31 December 2014.

Working capital management

	For the period/year			
	30 June 2015 (days)	31 December 2014 (days)	Change (days)	(%)
Inventory turnover days	**99.0**	94.0	5.0	5.3
Trade and bills receivables turnover days	**81.5**	85.5	(4.0)	(4.7)
Trade and bills payables turnover days	**94.7**	94.1	0.6	0.6

The increase in inventory turnover days for the six months ended 30 June 2015 by 5.0 days and was primarily due to the increase in average inventory as a result of increase in business scale across the periods.

The decrease in trade and bills receivables turnover days from 85.5 days for the year ended 31 December 2014 to 81.5 days for the six months ended 30 June 2015 was primarily attributable to the decrease of trade and bills receivables as a result of continuous improvement in management of trade receivables.

Our trade and bills payables turnover days remained relatively stable.

Capital expenditures

For the six months ended 30 June 2015, total addition to property, plant and equipment amounted to approximately HK$72.3 million (1H 2014: HK$57.8 million), and was mainly attributed to the increase in investment in machinery of approximately HK$63.8 million (1H 2014: HK$55.4 million) to cope with the Group's overall business expansion.

Pledged assets

As at 30 June 2015, the Group pledged certain bank deposits and property, plant and equipment to secure the bank borrowings granted to and bills payable issued by the Group.

The carrying amounts of the assets pledged are as follows:

	As at 30 June 2015 (HK$'000)	31 December 2014 (HK$'000)
Pledged bank deposits	**61,797**	85,147
Property, plant and equipment	**73,679**	114,639
Total	**135,476**	199,786

Segment information

Details of segment information are set out in note 4 to the condensed consolidated financial statements.

Foreign exchange risk

A substantial portion of the Group's revenue is denominated in U.S. dollars and Hong Kong dollars and a portion of its purchases and expenses are denominated in Renminbi. The Group manages its foreign exchange risk by performing regular reviews and monitoring its foreign exchange exposure. Our finance department monitors our foreign exchange risk on a continuous basis by analysing our domestic and overseas sales orders on hand, expected domestic and overseas orders from customers and estimated foreign currency payments for our purchases. We 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 Renminbi through our PRC subsidiaries; and (ii) holding cash and bank deposits denominated in Renminbi primarily by our PRC subsidiaries and cash and bank deposits denominated in Hong Kong and U.S. dollars primarily by the Company and its Hong Kong subsidiaries.

Contingent liabilities

As at 30 June 2015, the Group did not have any significant contingent liabilities.

Employees and remuneration policies

As at 30 June 2015, the Group employed a total of approximately 4,114 full-time employees (31 December 2014: 3,745). The increase in the number of employees was mainly due to the increase in the scale of the Group's business. There were no significant changes 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 that include subsidised accommodation, meals, accident and medical insurance and share options granted to eligible employees under the share option schemes, as described in the prospectus of the Company dated 13 May 2014 (the "**Prospectus**").

Use of proceeds

The Company's ordinary shares were listed on the Main Board of the Stock Exchange on 23 May 2014. The total net proceeds from the initial public offering amounted to approximately HK$527.7 million. As at 30 June 2015, the Company used HK$303.9 million from net proceeds of the initial public offering for the purchase of machinery, settlement of our syndicated loan and other expansion use, while the remaining net proceeds were deposited in licensed banks in Hong Kong and the PRC. The Company intends to use the remaining net proceeds in accordance with the purposes set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

FUTURE STRATEGIES AND PROSPECTS

Looking ahead to the second half of 2015, U.S. economic growth is solidly on track, while uncertainty lingers in the economic situation of Europe. China is believed to have stabilised growth in the second half, supported by government monetary and fiscal policy. The Group is bullish on the market's future development as the continuous improvement in living standards and growing demand for better quality lingerie and sportswear, in terms of texture, functionality and design, will drive market expansion. We are confident that the market offers ample room for rapid and sustainable development for companies with promising strengths.

In the second half of 2015, we will further promote our one-stop solutions business strategy by reinforcing our collaborations with our existing clients. Going forward, we will actively seek new business opportunities to expand our market share and sustain our business growth in our two core business segments, including elastic fabric and elastic webbing. Moreover, we expect the lace segment and sales of sportswear materials will emerge as the key growth drivers for the Group.

The significant growth in revenue generated from sales of sportswear materials during the reporting period is sufficient evidence that the Group's effort is beginning to pay off. The global sportswear market is expected to grow at an accelerated pace, supported by rising consumer spending and growing awareness of health and sports. According to Euromonitor International, a global consumer market research firm, the popularity of sportswear continues to rise in the U.S. where sports apparel has grown in current value since 2014, while sports footwear has increased by 9% in current value. In addition, the "athleisure" trend has led to an increase in sales of sports-inspired apparel, and inspired a number of retailers to enter the category. Supported by rising consumer spending in both emerging and developed markets, the global sporting goods industry further grew in the second quarter of 2015. The e-commerce channel continued to see rapid expansion, as retailers leveraged a wide variety of commercial opportunities across mobile technologies and social media. In China, sportswear is expected to face a more favorable macro-environment. The State Council of China issued a document of guidance in October 2014 that aimed to accelerate the development of the Chinese sports industry, covering sportswear and sport equipment, to the tune of Renminbi 5 trillion by the end of 2025. Meanwhile, the number of frequent sports participants will surpass 500 million nationwide. These supportive policies will spur the healthy development of sportswear in future. We will continue to penetrate the sportswear markets to seize the immense opportunities by deepening our partnership with existing clients, while further expanding our customer base.

Riding on the Group's success in tapping the lace business segment since 2012, we believe that the continuing growth in lace sales volume would further contribute to the Group's gross profit margin. With the completion of the construction of the ninth production facility, the production capacity of lace is expected to reach approximately 19.1 million meters per annum. By fostering our one-stop solutions strategy, we expect our lace business will continue to be one of the key growth drivers going forward and we will strive to increase the sales of laces through selling to our existing customers and winning new clients.

In addition, the Group will promote its capacity expansion and pursue international expansion to lower-cost regions. We are actively looking at the feasibility to build manufacturing facilities in Vietnam, an emerging production base that has seen a rapid expansion of production capabilities by key global sportswear brands. This is in response to rising cost pressures in China and in anticipation of the emerging market potential from the signing of the "Trans-Pacific Strategic Economic Partnership Agreement" between the United States and Asia-Pacific countries, as well as the Free Trade Agreement ("**FTA**") between the European Union ("**EU**") and Vietnam. The EU and Vietnam reached an agreement in principle on a FTA on 4 August 2015, which would eventually reduce tariffs for key exports from Vietnam, including textiles and footwear. The favourable conditions for intra-regional trade and tariff reductions make Vietnam a preferred destination for the Group to expand its production capabilities. Establishing a new production plant in the country will not only let us enjoy a cost advantage, but also reinforce our business alliance with existing clients, as some of them have already established their Vietnam production bases. We believe that the strategic movement is in line with our commitment to enlarging our market share as well as enhancing our overall profitability.

The Group will continue to enhance operational efficiency, upgrade its research and development and design capabilities, as well as strengthen and maintain its close collaborations with lingerie brands to achieve steady growth. 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. The Group is confident that our unique positioning and core competitiveness will enable us to deliver favorable returns to our shareholders.

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 during the six months ended 30 June 2015.

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 unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2015 and internal control procedures of the Group, and discussed the relevant financial reporting matters.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated results of the Group for the six months ended 30 June 2015 have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, by Deloitte Touche Tohmatsu, certified public accountants in Hong Kong, and the Audit Committee has no disagreement.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK5.3 cents per ordinary share for the six months ended 30 June 2015 (the "**Interim Dividend**"). The Interim Dividend is expected to be paid on Friday, 18 September 2015 to all shareholders whose names appear on the register of members of the Company on Monday, 7 September 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 2 September 2015 to Monday, 7 September 2015 (both days inclusive) for the purpose of determining the entitlement to the Interim Dividend. In order to be qualified for the Interim Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 1 September 2015.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is of the view that throughout the six-month period ended 30 June 2015, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

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, 18 August 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*