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 2015

HIGHLIGHTS

- The Group's revenue for the year ended 31 December 2015 amounted to approximately HK$2.05 billion, representing an increase of approximately 10.1% when compared to the year ended 31 December 2014.

  Sales revenue of elastic fabric as sportswear materials achieved a year-on-year growth of approximately 63.7%.

  Revenue from sales of lace increased from approximately HK$42.1 million for the year ended 31 December 2014 to approximately HK$73.9 million for the year ended 31 December 2015, representing a growth of approximately 75.6%.

- The Group's gross profit for the year ended 31 December 2015 amounted to approximately HK$680.5 million, representing an increase of approximately 19.7% when compared to the year ended 31 December 2014. Gross profit margin increased by approximately 2.7 percentage points to approximately 33.2%, as compared to the year ended 31 December 2014.
- Net profit for the year ended 31 December 2015 amounted to approximately HK$342.4 million, representing an increase of approximately 38.7% as compared to approximately HK$246.9 million for the year ended 31 December 2014. The Group achieved an improved net profit margin of approximately 16.7% for the same period, representing a growth of approximately 3.4 percentage points, as compared to approximately 13.3% for the year ended 31 December 2014.
- Net profit (excluding one-off listing expenses, fair value change in financial instruments and investment properties and share-based payments expenses) increased from approximately HK$281.2 million for the year ended 31 December 2014 to approximately HK$354.0 million for the year ended 31 December 2015, with the normalised net profit margin increased by approximately 2.2 percentage points, from approximately 15.1% to approximately 17.3%.
- Basic earnings per share was HK33.56 cents for the year ended 31 December 2015, representing an increase of approximately 24.1% from HK27.05 cents for the year ended 31 December 2014.
- Proposed to declare a final dividend of HK8.0 cents per share in respect of the year ended 31 December 2015.

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 2015, together with the comparative figures for the year ended 31 December 2014, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2015

	Notes	**2015** *HK$'000*	2014 *HK$'000*
Revenue	*3*	**2,048,138**	1,860,881
Cost of sales		**(1,367,666)**	(1,292,474)
Gross profit		**680,472**	568,407
Other income		**45,896**	40,823
Other gains and losses		**699**	5,143
Selling and distribution expenses		**(97,651)**	(83,069)
Administrative expenses		**(144,630)**	(130,627)
Research and development costs		**(47,429)**	(42,390)
Listing expenses		**–**	(23,518)
Share of result of a joint venture		**1,044**	–
Finance costs		**(24,179)**	(30,961)
Profit before taxation	*5*	**414,222**	303,808
Income tax expense	*6*	**(71,839)**	(56,904)
Profit for the year		**342,383**	246,904
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(128,924)**	2,158
Share of translation reserve of a joint venture		**(226)**	–
Fair value loss on available-for-sale financial assets		**(375)**	(82)
Other comprehensive (expense) income for the year		**(129,525)**	2,076
Total comprehensive income for the year		**212,858**	248,980
Earnings per share	*8*		
— Basic (HK cents)		**33.56**	27.05
— Diluted (HK cents)		**33.21**	26.87

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Notes	**2015** **HK$'000**	2014 *HK$'000*
Non-current assets			
Property, plant and equipment		**1,034,611**	1,105,685
Interest in a joint venture		**10,175**	–
Prepaid lease payments		**39,983**	43,481
Deposits		**33,733**	26,182
Available-for-sale financial assets		**2,522**	2,897
Deferred tax assets		**3,319**	3,622
		1,124,343	1,181,867
Current assets			
Inventories		**364,838**	347,658
Prepaid lease payments		**955**	1,013
Trade and bills receivables	*9*	**468,170**	418,615
Other receivables, deposits and prepayments		**29,259**	33,979
Amount due from a joint venture		**4,778**	–
Derivative financial instrument		**1,046**	–
Pledged bank deposits		**37,647**	85,147
Short term bank deposits		**242,430**	649,792
Bank balances and cash		**627,293**	94,793
		1,776,416	1,630,997
Current liabilities			
Trade payables	*10*	**123,813**	85,774
Bills payable	*10*	**264,925**	270,779
Other payables and accrued charges		**133,505**	101,336
Amount due to a joint venture		**2,745**	–
Bank borrowings	*11*	**588,157**	401,863
Obligations under finance leases		**11,427**	20,629
Derivative financial instrument		**323**	–
Tax payable		**24,011**	31,862
		1,148,906	912,243
Net current asset		**627,510**	718,754
Total assets less current liabilities		**1,751,853**	1,900,621

	Notes	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Bank borrowings	*11*	**–**	258,972
Obligations under finance leases		**5,931**	16,385
Deferred income		**6,978**	8,486
		12,909	283,843
Net assets		**1,738,944**	1,616,778
Capital and reserves			
Share capital	*12*	**10,213**	10,188
Reserves		**1,728,731**	1,606,590
Equity attributable to owners of the Company		**1,738,944**	1,616,778

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

For the year ended 31 December 2015

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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 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.

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

Pursuant to a group reorganisation, 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 year ended 31 December 2014. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2014 include the results, changes in equity and cash flows of the companies now comprising the Group as if the group structure under the group reorganisation had been in existence throughout such year.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied all of the Amendments to HKFRSs 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 2015. The adoption of these Amendments to HKFRSs 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[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
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[1]
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after a date to be determined.

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 2015 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"

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.

Amendments to HKAS 1 Disclosure Initiative

The amendments to HKAS 1 Presentation of Financial Statements give some guidance on how to apply the concept of materiality in practice.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKAS 1 will have a material impact on the amounts recognised or the presentation and disclosure in the Group's consolidated financial statements.

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

3. REVENUE

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

4. 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 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 year ended 31 December 2015

	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	**1,334,551**	**713,587**	**2,048,138**
Segment profits	**258,530**	**188,539**	**447,069**
Unallocated other income			**34,073**
Unallocated other gains and losses			**699**
Unallocated corporate expenses			**(44,484)**
Finance costs			**(24,179)**
Share of result of a joint venture			**1,044**
Profit before taxation			**414,222**

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

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 derivative financial instrument, change in fair value of investment properties, net foreign exchange gain/loss, share of result of a joint venture, gain (loss) on disposal of property, plant and equipment for corporate use, 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 2015

	Manufacturing and trading of elastic fabric and lace *HK$'000*	Manufacturing and trading of elastic webbing *HK$'000*	Total *HK$'000*
ASSETS			
Segment assets	**1,501,566**	**455,014**	**1,956,580**
Property, plant and equipment			**4,106**
Deferred tax assets			**3,319**
Available-for-sale financial assets			**2,522**
Interest in a joint venture			**10,175**
Other receivables, deposits and prepayments			**15,641**
Derivative financial instrument			**1,046**
Pledged bank deposits			**37,647**
Short term bank deposits			**242,430**
Bank balances and cash			**627,293**
Total assets			**2,900,759**
LIABILITIES			
Segment liabilities	**357,968**	**173,304**	**531,272**
Other payables and accrued charges			**694**
Derivative financial instrument			**323**
Obligations under finance leases			**17,358**
Bank borrowings			**588,157**
Tax payable			**24,011**
Total liabilities			**1,161,815**

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			649,792
Bank balances and cash			94,793
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 property, plant and equipment for corporate use, available-for-sale financial assets, deferred tax assets, interest in a joint venture, derivative financial instrument, 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, derivative financial instrument and certain corporate liabilities.

Other segment information

For the year ended 31 December 2015

	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	**85,489**	**28,808**	**708**	**115,005**
Depreciation of property, plant and equipment	**95,864**	**24,967**	**431**	**121,262**
Amortisation of prepaid lease payments	**955**	**–**	**–**	**955**
Reversal of allowance of obsolete inventories	**(509)**	**(480)**	**–**	**(989)**

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
Reversal of allowance for bad and doubtful debts	(15)	–	–	(15)

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	
	2015	2014
	HK$'000	*HK$'000*
Hong Kong	**768,768**	809,198
The PRC	**520,629**	505,859
Sri Lanka	**402,822**	229,197
Europe and the United States of America	**70,569**	102,389
South Korea	**46,341**	12,190
Indonesia	**45,988**	49,349
India	**41,657**	28,397
Vietnam	**37,162**	30,673
Thailand	**29,487**	38,159
Others	**84,715**	55,470
	2,048,138	1,860,881

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

	As at 31 December	
	2015	2014
	HK$'000	*HK$'000*
The PRC	**1,103,519**	1,151,027
Hong Kong	**4,083**	5,107
Vietnam	**3,908**	–
	1,111,510	1,156,134

Information about major customers

Revenues from customers contributing over 10% of the total revenue of the Group for the years ended 31 December 2015 and 2014 are as follows:

	Year ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
Revenue from manufacturing and trading of elastic fabric and lace		
— customer A	**219,199**	204,278
— customer B	**202,758**	176,237
Revenue from manufacturing and trading of elastic webbing		
— customer A	**87,873**	60,756
— customer B	**28,772**	13,243

5. PROFIT BEFORE TAXATION

	2015	2014
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**2,108**	1,802
Staff costs		
Directors' remuneration	**24,263**	16,808
Other staff costs		
— salaries and other benefits	**325,747**	289,610
— contributions to retirement benefits schemes	**24,664**	19,631
— equity-settled share-based payments	**5,944**	5,144
	380,618	331,193
Depreciation of property, plant and equipment	**121,262**	115,595
Amortisation of prepaid lease payments	**955**	1,013
Operating lease rentals in respect of rented premises	**13,564**	11,437
Cost of inventories recognised as an expense	**1,367,666**	1,292,474
Including: reversal of allowance for obsolete inventories	**(989)**	–
Gross rental income from properties	**(452)**	(676)
Less: Direct operating expenses that generated rental income	**–**	34
Direct operating expenses that did not generate rental income	**506**	493
	54	(149)

6. INCOME TAX EXPENSE

	2015	2014
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**21,412**	24,579
The PRC Enterprise Income Tax ("**EIT**")	**54,202**	32,371
The PRC withholding tax	**–**	3,161
(Over)under provision in prior years:		
Hong Kong Profits Tax	**(106)**	(786)
The PRC EIT	**(3,764)**	368
	71,774	59,693
Deferred taxation	**95**	(2,789)
	71,839	56,904

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 2015 and 2014 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.

7. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2015 Interim dividend — HK5.3 cents (2014: 2014 interim dividend HK3.5 cents) per share	**54,118**	35,657
2014 Final dividend — HK5 cents (2014: nil) per share	**50,939**	–
	105,057	35,657

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2015 of HK8.0 cents per ordinary share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

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:

	2015	2014
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the year attributable to owners of the Company) (HK$'000)	**342,383**	246,904
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,020,063,452**	912,874,701
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**10,898,298**	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	**1,030,961,750**	918,723,167

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2014 has been adjusted for the capitalisation issue on 23 May 2014 as disclosed in note 12 and taking into consideration the effect of the group reorganisation taken place on 16 January 2014.

9. TRADE AND BILLS RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**457,876**	413,701
Less: Allowance for bad and doubtful debts	**(1,648)**	(1,761)
Total trade receivables	**456,228**	411,940
Bills receivables	**11,942**	6,675
	468,170	418,615

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, elastic webbing and lace 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.

	2015	2014
	HK$'000	*HK$'000*
Trade receivables		
0–90 days	**431,397**	383,878
91–180 days	**19,930**	20,864
Over 180 days	**4,901**	7,198
	456,228	411,940
Bills receivables		
0–90 days	**11,942**	6,041
91–180 days	**–**	634
	11,942	6,675
	468,170	418,615

10. TRADE AND BILLS PAYABLES

Trade payables

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:

	2015	2014
	HK$'000	*HK$'000*
0–90 days	**115,899**	76,198
Over 90 days	**7,914**	9,576
	123,813	85,774

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:

	2015	2014
	HK$'000	*HK$'000*
0–90 days	**179,721**	194,755
91–180 days	**85,204**	76,024
	264,925	270,779

11. BANK BORROWINGS

	2015	2014
	HK$'000	*HK$'000*
Unsecured syndicated loan	**258,972**	385,415
Unsecured bank borrowings	**329,185**	275,420
	588,157	660,835
Carrying amount repayable*:		
Within one year	**578,816**	381,788
More than one year, but not exceeding two years	**6,223**	271,495
More than two years, but not more than five years	**3,118**	7,552
	588,157	660,835
Less: Amounts due within one year or contain a repayment on demand clause shown under current liabilities	**(588,157)**	(401,863)
Amounts shown under non-current liabilities	**–**	258,972
Carrying amount of bank borrowings that are repayable within one year and contain a repayment on demand clause	**319,844**	156,753
Carrying amount of bank borrowings that are repayable more than one year but contain a repayment on demand clause	**9,341**	20,075
	329,185	176,828

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

The unsecured syndicated loan was guaranteed by group companies and the loans will be repayable by instalments from 16 July 2014 to 16 July 2016.

The unsecured bank borrowings were guaranteed by group companies as at 31 December 2015 and 2014.

12. SHARE CAPITAL

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 1 January 2014	39,000,000	390,000	390
Increase on 8 May 2014 *(note b)*	49,961,000,000	499,610,000	499,610
At 31 December 2014 and 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 *(note a)*	390,000	3,900	4
Capitalisation issue of shares on 23 May 2014 *(note c)*	748,830,000	7,488,300	7,488
Issue of shares on 23 May 2014 *(note d)*	250,000,000	2,500,000	2,500
Issue of shares on 18 June 2014 *(note e)*	18,778,000	187,780	188
At 31 December 2014	1,018,778,000	10,187,780	10,188
Issue of shares upon exercise of share options *(note f)*	**2,498,000**	**24,980**	**25**
At 31 December 2015	**1,021,276,000**	**10,212,760**	**10,213**

All shares issued rank pari passu with each other in all aspects.

Notes:

(a) As a part of the group 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 (which is wholly owned by Mr. Zhang Haitao) and Lakefront Capital Investment Limited (which is wholly owned by Mr. Wu Shaolun), respectively.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) On 3, 10, 17 and 24 June 2015, 8 July 2015, 26 August 2015, 14 October 2015 and 22 October 2015, the Company issued 508,000, 748,000, 188,000, 600,000, 166,000, 100,000, 100,000 and 88,000 shares respectively upon the exercise of share options by a Director and certain employees.

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 2015.

During the year under review, global economic growth, accompanied by a variety of new risks and challenges, witnessed significant differentiation. On one hand, the US economy demonstrated a robust recovery, with steady improvement in the employment and other economic data, further crystallising the Federal Reserve's policy for gradual interest-rate hikes. On the other hand, the Greek debt crisis, which long plagued the European Union members, was temporarily resolved with the temporary agreement reached among the European Union members. While the European Central Bank continued to adopt a loose monetary policy, the European economy continued to struggle in its recovery due to the unresolved sovereign debt crisis in several countries. In addition, emerging economies were facing severe challenges. The Chinese economy entered a "new normal" status, dealing with unprecedented challenges in its structural adjustment and steady growth. Despite such conditions, China demonstrated strong resilience, and maintained an overall stable development.

Albeit a challenging macro-economic environment, the lingerie industry saw a relatively stable growth. Modern underwear has evolved from simply meeting people's needs for comfortable wear to a new fashion goods designed to enhance feminine charm. As a result, the market demand will focus more on quality, design and comfort. During the year under review, the Group brought into full play its unique position as a one-stop solutions provider of lingerie materials and strengthened close cooperation with its customers. With the unremitting efforts of management and all staff members, the Group achieved satisfactory operating results for the year under review. Such achievement not only demonstrated Best Pacific's corporate strength with continuous growth, but also cemented its leading position in the lingerie material market. For the year ended 31 December 2015, its revenue and net profit increased by 10.1% and 38.7% year-on-year to approximately HK$2.05 billion and HK$342.4 million, respectively. More encouragingly, with the ability to provide premium value-added products and good cost control, the Group's net profit margin for 2015 increased to a record high of 16.7%.

In 2015, the two primary business segments of the Group, namely elastic fabric and elastic webbing, continued to develop at a satisfactory pace. In particular, revenue generated from sales of elastic webbing increased remarkably by 15.0% to approximately HK$713.6 million. The Group has satisfactory achievements demonstrated in its cutting-edge technologies, and research and development capacities. The rich experience gained over the years, through the long-term close collaboration with customers of leading brands, such as ^Aimer, Chantelle, Embry Form, Lululemon, Maniform, Marks & Spencer, Spanx, Triumph, Under Armour, Victoria's Secret and Wacoal, has further solidified the Group's leading position in its field. By capitalising on these advantages, the Group has effectively secured a continued steady increase in customer orders. In this regard, the Group managed to accommodate the steadily growing customer orders by ramping up its production capacity through mergers and acquisitions and construction of new facilities, further expanding the Group's market share. On 4 November 2015, the Group, through a wholly-owned subsidiary of the Company, acquired 40% of the issued ordinary shares in Charming Elastic Fabric Company Limited ("**Charming Elastic**"), an indirect non-wholly owned subsidiary of Top Form International

^ *Brands are arranged in alphabetical order.*

Limited ("**Top Form**"), with a view to deepening its cooperation with Top Form and swiftly increasing its production capacity of elastic webbing, thereby better positioning itself to seize business growth opportunities. Top Form, which is one of our core customers, is a company listed on the Main Board of the Stock Exchange (stock code: 333) and is one of the leading brassiere manufacturers.

While maintaining steady development of its core product categories, the Group achieved impressive growth in new business segments and markets, marking a good start for tapping into new market potentials and developing into a nice profit growth driver. During the year under review, the Group registered a significant increase in revenue derived from its lace business launched in the second half of 2012, which increased by 75.6% to approximately HK$73.9 million. Benefiting from its strong design capabilities and the strategy to cross sell to existing customers, the Group has started the lace transactions with the majority of its core customers, fully demonstrating the wide recognition and further consolidating the Group's unique position as a one-stop solutions provider. In line with the gradual business expansion, the gross profit margin of lace products increased by 7.7 percentage points year-on-year to 50.0%. The continued growth in the lucrative lace business is believed to contribute to the Group's overall profitability.

In addition, as consumers become increasingly focused on health, and fitness craze is sweeping across the world, Best Pacific has employed its existing production resources and technical know-how to sell elastic fabric and elastic webbing to sportswear brands, strategically penetrating into the sportswear market. During the year under review, the Group strengthened its collaboration with international, well-known sportswear brands, such as ^Lululemon and Under Armour. By capitalizing on its powerful research and development prowess and indigenous innovation capabilities, the Group cooperated with those brands in launching a series of fashionable sports products that are lightweight, breathable, shock-proof and comfortable with a revolutionary innovative concept. During 2015, the Group saw a 63.7% increase in its sales of elastic fabric to sportswear brand owners. At the same time, with the Chinese government's strong policy support and the expected boost globally from the 2016 Summer Olympics in Rio de Janeiro, Brazil, the Group anticipates a further increase in the sales of sports product lines by the sportswear brands, and as a fabric supplier, we shall work with those brands to capitalise on the enormous market opportunities.

During the year under review, we strove to enhance our overall production capacity and looked for business expansion opportunities in low-cost regions. The conclusion of the Trans-Pacific Strategic Economic Partnership Agreement between the United States of America (the "**USA**") and countries in the Asia-Pacific region including Vietnam (the "**Trans-Pacific Partnership**") and the free trade agreement (the "**FTA**") between the European Union and Vietnam not only made Vietnam one of the biggest beneficiaries of the textile and garment industries, but also shifted the market focus to Vietnam's potentials as an emerging market. Furthermore, several existing customers of the Group have established their production bases in Vietnam, therefore providing a sound customer base for our local business development. In light of the foregoing, the Group has decided to vigorously identify the opportunities, while investing more capital expenditure in establishing production facilities and implementing its production capacities in Vietnam. The Group will also make better use of the local cost advantage and beneficial trade and tariff concessions to further strengthen its business partnership with both existing and new customers. This move, we believe, will enable the Group to further increase its market share in the respective fields and improve the overall profitability.

^ *Brands are arranged in alphabetical order.*

Looking into 2016, the global market will continue to face a variety of challenges, including differentiated monetary policies adopted by various countries, volatility of commodity prices, brewing of the sovereign debt crisis in multiple countries, and the initial establishment of new world trade rules. The European economy will still face a number of risks, with economic growth being handicapped by insufficient investment and inadequate implementation of structural reform. However, we believe the US market, being the largest market for the Group, will continue to see a sustained recovery with economic fundamentals continuing to strengthen, thereby driving growth in the consumer demands. As for China's domestic market, the macro-economy will still be plagued by downward pressure, and the Chinese government will continue to promote economic restructuring by shifting towards consumption and service industries, away from the original heavy industry and construction industry which are currently experiencing severe overcapacity. Such shift is likely to bring opportunities to the substantive stock adjustment, comprehensive supply-side reforms and more significant expansion in demand, benefiting the healthy development of the consumer market in the long run.

We remain optimistic about the economic prospects of the Group's major markets, and believe that the lingerie as personal necessities will show greater resilience, thus enabling the lingerie market to maintain stable growth. In addition, the public is becoming increasingly focused on health and exercise, and is paying more attention to the appearance, functionality and diversity of sportswear, which, we believe, will continue to drive the rapid growth in the sportswear market and thus present good opportunities and vast space for our market expansion in the relevant sectors.

The Group will firmly grasp the opportunities arising from the development of the lingerie and sports products markets. The Group will strive to increase its market presence in the lingerie-related elastic fabric and elastic webbing markets, and endeavor to increase sales of lace products through expansion of production capacities, thereby further consolidating its leading position as the largest one-stop solutions provider. In the meantime, the Group will actively identify good merger and acquisition opportunities in the market to acquire quality assets that will bring synergies to the Group at reasonable prices, thereby achieving breakthrough growth and laying a more solid foundation for the long-term development of the Group.

We firmly believe that with its pioneering and innovative spirit, strong research and development capacities, strategic deployment of production capacity expansion and well-established relationships and mutual trust with its customers, Best Pacific will work with its customers, business partners and shareholders to create higher corporate value while maintaining long term growth.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year under review, by taking advantage of its unique value position as a supplier of one-stop solutions, Best Pacific responded to the market trend in a timely manner and continued to gain support and recognition from all major customers. For the year ended 31 December 2015, Best Pacific maintained its business growth at an ideal pace with the revenue of the Group increased by 10.1% to approximately HK$2.05 billion, as compared to approximately HK$1.86 billion for the year ended 31 December 2014. Profit attributable to equity shareholders recorded a historical high of approximately HK$342.4 million, representing an increase of 38.7% as compared to 2014. During the year under review, the Group further improved its profitability through its economies of scale and the increasing contribution of the lace segment. The gross profit margin and net profit margin increased to 33.2% and 16.7%, respectively, as compared to 30.5% and 13.3%, respectively for the year ended 31 December 2014. Profit attributable to equity shareholders (excluding share-based payment expenses, one-off listing expenses, fair value change in financial instruments and investment properties) increased by 25.9% to approximately HK$354.0 million over the last year.

As one of the few lingerie materials manufacturers in the world that provide one-stop solutions, Best Pacific continued to strengthen its edge in providing a complete product series in 2015. While conducting cross sales of the major products to its existing customers, Best Pacific has vigorously expanded the lace and sportswear markets, which served as a driver for growth in the three core comprehensive segments of the Group. During the year under review, on the back of the economic recovery in the US, being the major market of the Group, revenue from sales of elastic fabric and elastic webbing representing approximately 61.6% and 34.8% of the total revenue, respectively, increased by 5.2% and 15.0%, respectively year-on-year, to approximately HK$1.26 billion and HK$713.6 million.

On the strength of its existing solid customer base of the Group, the lace segment successfully gained more support from the existing customers and recorded the strongest growth among all business segments. During the year under review, the revenue of the lace segment surged 75.6% year-on-year to approximately HK$73.9 million, as compared to approximately HK$42.1 million in 2014, representing 3.6% (2014: 2.3%) of the total revenue. The Group will continue to expand its lace business through the expansion of the production capacity and sharpen its competitive edge in the lingerie materials industry by establishing an even more comprehensive product mix.

In 2015, Best Pacific continued to cement the sound and long-term relationship with several renowned international lingerie and sportswear brands — including ^Aimer, Chantelle, Embry Form, Lululemon, Maniform, Marks & Spencer, Spanx, Triumph, Under Armour, Victoria's Secret and Wacoal — and strategically deepened its cooperation with them. In February 2016, Best Pacific was honored with the 2016 FEMMY Award (Supplier category) by the U.S. Underfashion Club. The FEMMY Award, which is recognized as one of the most influential awards in the intimate apparel industry, honors those individuals and companies that have significantly contributed to the intimate apparel industry and its growth. Winning the award proves that Best Pacific is well recognized and acclaimed in the industry.

^ *Brands are arranged in alphabetical order.*

On 4 November 2015, the Company announced to acquire, through its wholly-owned subsidiary, 40% of the issued ordinary shares in Charming Elastic, an indirect non-wholly owned subsidiary of Top Form at a consideration of HK$10 million. The principal activities of Charming Elastic and its subsidiaries are the manufacture and sale of elastic garment straps, weaving tape and related products. This transaction would not only rapidly and effectively increase the relevant production capacity of the Group, more crucially it would strengthen the cooperative relationship with our customer and thus increase shareholder value in the long run.

By capitalising on the strong customer base established by the Group in the lingerie market and its own production capacities and expertise, the Group has vigorously expanded its elastic fabric and elastic webbing businesses to the sportswear materials market. The USA, being the largest market of the Group, is one of the largest individual sportswear markets in the world. With the evident economic recovery in the USA, the market demand for sportswear is strong. Moreover, consumers' higher requirements in terms of quality and fashion of sportswear illustrate the promising outlook for this market, which in turn has created favorable conditions for the Group's rapid development in this market segment. In 2015, the Group continued to deepen its partnership with Victoria's Secret, being its long-term customer, and supplied sportswear materials for its PINK and VSX series. In addition, the Group continued to strengthen its cooperation with ^Lululemon, Under Armour and other international sportswear brands. In 2015, revenue of sportswear materials jumped by 63.7% as compared to the full year 2014.

Amid the industry consolidation, Best Pacific has been able to maintain its leading market position and to grow along with its customers, thanks to its prowess in research and development and innovation. During the year under review, Best Pacific worked closely with clients and the suppliers of major raw materials, and stayed abreast of the market trend and the preference of consumers, cooperating in the research and development of new raw materials to meet customers' specifications. The Group's outstanding research and development capability not only enabled it to secure its profitability by providing newly developed products to clients on an exclusive basis, but also helped it to explore new growth drivers through strategical expansion of its product categories. In addition to the expansion from elastic fabric and elastic webbing into sportswear materials, the Group has further extended its business scope to the supply of sports shoes materials, which would contribute to its future sales.

In view of its growing share in the lingerie market and the sportswear market, the Group has expanded its production capacities by establishing new production facilities and installing additional machineries so as to capture the vast growth potential of the market, to further increase its market share and to consolidate its leading market position. The completion of construction at our Phase V production plant in Machong Town, Dongguan City — the eighth production facility — has brought our annual designed production capacity of elastic fabric, elastic webbing and lace to approximately 72.2 million meters, 1,072.4 million meters and 16.8 million meters, respectively, in 2015. Construction of our Phase VI production plant — the ninth production facility — has already commenced during the second half of 2015. The plant will have a gross floor area of approximately 35,000 square meters, which is expected to commence production in the second half of 2016.

^ *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 2015, revenue amounted to approximately HK$2.05 billion, representing an increase of approximately HK$187.3 million, or approximately 10.1%, from approximately HK$1.86 billion for the year ended 31 December 2014. The increase in revenue during the year under review 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 US economy, as well as the Group's dedicated efforts in strengthening its one-stop solutions strategy and the continual expansion into the sportswear business segment.

A comparison of the Group's revenue for the years ended 31 December 2014 and 2015 by product categories is as follows:

	For the year ended 31 December					
	2015		2014		Change	
	Revenue (*HK$'000*)	**% of Revenue**	Revenue (*HK$'000*)	% of Revenue	(*HK$'000*)	%
Elastic fabric	**1,260,670**	**61.6**	1,198,036	64.4	62,634	5.2
Elastic webbing	**713,587**	**34.8**	620,775	33.3	92,812	15.0
Lace	**73,881**	**3.6**	42,070	2.3	31,811	75.6
Total	**2,048,138**	**100.0**	1,860,881	100.0	187,257	10.1

For the year ended 31 December 2015, revenue from sales of elastic fabric amounted to approximately HK$1.26 billion, representing an increase of approximately HK$62.6 million, or approximately 5.2%, as compared to the year ended 31 December 2014. The growth in revenue was mainly driven by the Group's continual 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 year-on-year growth of 63.7% in sales revenue of elastic fabric as sportswear materials.

Revenue from the sales of elastic webbing amounted to approximately HK$713.6 million, representing an increase of approximately HK$92.8 million, or approximately 15.0%, as compared to the year ended 31 December 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, revenue from sales of lace increased from approximately HK$42.1 million for the year ended 31 December 2014 to approximately HK$73.9 million for the year ended 31 December 2015, giving a year-on-year growth of approximately 75.6%.

Cost of sales

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

Cost of sales — by nature of expense

	For the year ended 31 December					
	2015		2014		Change	
	(HK$'000)	*%*	*(HK$'000)*	*%*	*(HK$'000)*	*%*
Raw materials	**796,439**	**58.2**	797,459	61.7	(1,020)	(0.1)
Manufacturing overheads	**400,463**	**29.3**	350,275	27.1	50,188	14.3
Direct labour	**159,860**	**11.7**	134,180	10.4	25,680	19.1
Others	**10,904**	**0.8**	10,560	0.8	344	3.3
Total	**1,367,666**	**100.0**	1,292,474	100.0	75,192	5.8

The Group's cost of sales for the year ended 31 December 2015 amounted to approximately HK$1.37 billion, representing an increase of approximately HK$75.2 million, or approximately 5.8%, as compared to the year ended 31 December 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 number of 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

	For the year ended 31 December					
	2015		2014		Change	
	(HK$'000)	*%*	*(HK$'000)*	*%*	*(HK$'000)*	*%*
Elastic fabric	**866,600**	**63.4**	849,147	65.7	17,453	2.1
Elastic webbing	**464,119**	**33.9**	419,056	32.4	45,063	10.8
Lace	**36,947**	**2.7**	24,271	1.9	12,676	52.2
Total	**1,367,666**	**100.0**	1,292,474	100.0	75,192	5.8

The cost of sales by product category as a percentage of the total cost of sales for the year ended 31 December 2015 remained relatively stable as compared to the year ended 31 December 2014.

Gross profit, gross profit margin and net profit margin

	For the year ended 31 December			
	2015		2014	
	Gross profit *(HK$'000)*	**Gross profit margin** *(%)*	Gross profit *(HK$'000)*	Gross profit margin *(%)*
Elastic fabric	**394,070**	**31.3**	348,889	29.1
Elastic webbing	**249,468**	**35.0**	201,719	32.5
Lace	**36,934**	**50.0**	17,799	42.3
Total	**680,472**	**33.2**	568,407	30.5

The overall gross profit increased from approximately HK$568.4 million for the year ended 31 December 2014 to approximately HK$680.5 million for the year ended 31 December 2015. The Group's overall gross profit margin for the year ended 31 December 2015 increased by approximately 2.7 percentage points to 33.2%, as compared to 30.5% for the year ended 31 December 2014. The improved gross profit margin was mainly driven by 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 as quoted in the prospectus of the Company dated 13 May 2014 (the "**Prospectus**") in relation to its initial public offering (the "**IPO**"), 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 7.7 percentage points, from 42.3% for the year ended 31 December 2014 to 50.0% for the year ended 31 December 2015.

Net profit for the year ended 31 December 2015 amounted to approximately HK$342.4 million, representing an increase of approximately 38.7% as compared to approximately HK$246.9 million for the year ended 31 December 2014. The Group achieved an improved net profit margin of approximately 16.7% for the year ended 31 December 2015, representing a growth of 3.4 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 approximately HK$281.2 million for the year ended 31 December 2014 to approximately HK$354.0 million for the year ended 31 December 2015, with the normalised net profit margin increased by approximately 2.2 percentage points, from 15.1% to 17.3%, reaching the Group's historical high record. The increase was mainly driven by the overall improved manufacturing efficiency, increased interest income from banks, reduction in finance costs, and improved profit margin contribution by the lace segment.

Other income

The Group's other income mainly consists of bank interest income, net proceeds from sales of scrap materials, government grants 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	
	2015	2014
	HK$'000	*HK$'000*
Bank interest income	**29,696**	13,081
Net proceeds from sales of scrap materials	**6,396**	10,934
Government grants	**5,469**	7,385
Financial guarantee income	**–**	2,179
Rental income	**452**	676
Others	**3,883**	6,568
Total	**45,896**	40,823

The increase in other income by 12.4%, from approximately HK$40.8 million for the year ended 31 December 2014 to approximately HK$45.9 million for the year ended 31 December 2015, was mainly driven by the increase in bank interest income as a result of certain net proceeds from the IPO and the Group's operating cash flows being 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 and fair value change in derivative financial instrument. The drop in other gains and losses of approximately HK$4.4 million was mainly resulted from the aggregate effect of net decrease 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 years ended 31 December 2014 and 2015, the Group's selling and distribution expenses represented approximately 4.5% and 4.8% 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 administrative expenses. For the years ended 31 December 2014 and 2015, the Group's administrative expenses represented approximately 7.0% of its total revenue. 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 2015 was approximately HK$11.7 million (2014: HK$8.8 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 years ended 31 December 2014 and 2015, our research and development costs represented approximately 2.3% of the total revenue.

Listing expenses

Listing expenses for the year ended 31 December 2014 represented expenses incurred for the listing and were non-recurring in nature. There was no listing expenses incurred for the year ended 31 December 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 21.9% from approximately HK$31.0 million for the year ended 31 December 2014 to approximately HK$24.2 million for the year ended 31 December 2015. The decrease in finance costs was primarily due to the decrease in average balance in bank borrowings throughout the year.

Income tax expenses

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 of the Group was 25% during the years ended 31 December 2014 and 2015.

The Group's PRC 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 financial year 2011 and was renewed for an additional three years from the financial year 2014. 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 years ended 31 December 2014 and 2015.

The effective tax rate decreased from 18.7% for the year ended 31 December 2014 to 17.3% for the year ended 31 December 2015.

Liquidity, financial resources and bank borrowings

The Group maintains a strong and healthy financial position. As at 31 December 2015, net working capital (calculated as current assets less current liabilities) was approximately HK$627.5 million, representing a decrease of approximately HK$91.2 million as compared with 31 December 2014. The current ratio (calculated as current assets/current liabilities) remains relatively stable at 1.8 times and 1.5 times as at 31 December 2014 and 2015 respectively.

For the year ended 31 December 2015, net cash generated from operating activities increased from approximately HK$432.6 million for the year ended 31 December 2014 to approximately HK$437.5 million for the year ended 31 December 2015.

Net cash generated from investing activities amounted to approximately HK$352.5 million for the year ended 31 December 2015, as compared to net cash used in investment activities amounting to approximately HK$745.2 million for the year ended 31 December 2014. For investing activities, the Group withdrew approximately HK$407.4 million in short term bank deposits and invested approximately HK$121.9 million in new property, plant and equipment.

During the year ended 31 December 2015, net cash used in financing activities amounted to approximately HK$219.0 million, as compared to net cash generated from financing activities of HK$313.5 million for the year ended 31 December 2014. The negative cash inflow from financing activities for the year ended 31 December 2015 was mainly due to the repayment of syndicated loan and payment of dividends.

As at 31 December 2015, the Group's gearing ratio was 33.8% (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$319.2 million as at 31 December 2015, as compared to HK$168.9 million as at 31 December 2014.

Working capital management

	As at 31 December		Change	
	2015	2014	*(days)*	*(%)*
Inventory turnover days	**95.1**	94.0	1.1	1.2
Trade and bills receivables turnover days	**79.0**	85.5	(6.5)	(7.6)
Trade and bills payables turnover days	**99.5**	94.1	5.4	5.7

Our inventory turnover days for the year ended 31 December 2015 remained relatively stable.

The decrease in trade and bills receivables turnover days from 85.5 days for the year ended 31 December 2014 to 79.0 days for the year ended 31 December 2015 was primarily attributable to the decrease of trade and bills receivables as a result of continuous improvement in management of trade receivables.

The increase in trade and bills payables turnover days for the year ended 31 December 2015 by 5.4 days was primarily due to the increase in average trade and bills payables as a result of increase in business scale across the years.

Capital expenditure

For the year ended 31 December 2015, total addition to property, plant and equipment amounted to approximately HK$115.0 million (2014: approximately HK$189.2 million), and was mainly attributed to the increase in investment in machinery of approximately HK$89.4 million (2014: approximately HK$155.5 million) to cope with the Group's overall business expansion.

Pledge of assets

As at 31 December 2015, the Group pledged certain bank deposits and equipment to secure the bills payable issued by and bank borrowings granted to the Group.

The carrying amounts of the assets pledged are as follows:

	As at 31 December	
	2015	2014
	(HK$'000)	*(HK$'000)*
Pledged bank deposits	**37,647**	85,147
Equipment	**50,965**	114,639
Total	**88,612**	199,786

Contingent liabilities

As at 31 December 2015, 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 Group planned to use the proceeds from the Company's IPO mainly for increasing production capacity, settling syndicated loan installments and for general working capital purposes. The total net proceeds from the IPO amounted to approximately HK$527.7 million. For the period from 23 May 2014, the date on which the Company's shares are listed on the Main Board of the Stock Exchange (the "**Listing Date**") to 31 December 2015, the Group's total cost of purchasing new machineries, construction of Phase VI production plant (the ninth production facility), settling syndicated loan installments, and for general working capital purposes, by using the proceeds from the IPO, amounted to approximately HK$356.3 million. Unutilised net proceeds as at 31 December 2015 amounted to HK$171.4 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 2016 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 2015, the Group employed a total of 4,532 full-time employees (as at 31 December 2014: 3,745). 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

Looking into 2016, the Group remains cautiously optimistic on global economic prospects. With the robust recovery of US economy, it is expected growth will remain steady. In addition, due to the Chinese government's efforts in promoting economic reform, China's economy is expected to develop steadily under the "new normality", and per-capita income and living standards will continue to improve.

Throughout the lingerie market, growing demand for better quality lingerie in terms of texture, functionality and design shall drive the market expansion amid a strong demand for lingerie and shall be conducive to further market expansion. In recent years, there is keen competition among numerous manufacturers in the lingerie market in China, thus the industry is exposed to the challenge of integration. Among them, participants with established research, development and design capability will stand out and benefit from the brand premium generated by higher degree of industry concentration and added value. In order to grasp opportunities during market integration, the Group is committed to improving its core competitiveness. We will endeavor to respond to consumption patterns and changing preferences in a timely manner through excellent research and development capacity and value-added services, continue to provide customers with new products in the future and expand the product portfolio, and fully utilise the advantages of one-stop lingerie material suppliers. Meanwhile, the long-term partnership between the Group and its clients will help cross-sell the Group's main products to the existing customers, which will bring sustained growth momentum for the core comprehensive segments. Being the best performing segment in 2015, in terms of growth rate, the lace segment is expected to continue its growth in 2016, contributing to the sales volume and profitability for the Group. On the other hand, we will continue our active exploration of potential acquisitions in the industry to efficiently cope with the Group's business and capacity expansion plans.

In addition, the sportswear market has been booming in recent years. Due to strong market demands, consumers' requirements on the design and functions of sportswear are gradually increasing. As the 2016 Olympic Games to be held in Rio de Janeiro in Brazil is around the corner, sportswear craze will sweep across the globe. Recently, China has continued to launch initiatives to develop the sports industry, including the preparation of "the Thirteen Five-Year Plans for the Sports Industry", the publication of the Several Opinions on Accelerating the Development of the Sports Industry and Promoting Sport Consumption No. 46. All these initiatives aim to reach a scale of more than RMB5 trillion for sports industry in China by 2025, as well as popularising the sports industry. We believe these initiatives will help the sportswear market develop rapidly. The Group will actively strengthen cooperation with well-known sportswear brand, and seize the business opportunities together along with deepened partnership. As a result, the Group will continue to enlarge its market share and consolidate its market position.

In order to embrace enormous market opportunities in the future, the Group will further expand its production capacity. In addition to the Phase VI production plant (i.e. the ninth production facility) to be put into operation in 2016, the Group has been seeking to expand to regions with lower production costs. Benefiting from the executions of Trans-Pacific Partnership between the USA and countries in the Asia-Pacific region countries including Vietnam and the FTA between the European Union and Vietnam, the competitiveness of textile products in Vietnam is expected to improve, benefiting local textile enterprises. Several existing customers of the Group have set up their production bases in Vietnam, therefore providing a sound customer base for our local business development. In view of these, the Group has decided to actively identify relevant opportunities, while investing more capital on building factories in Vietnam and implementing the plan of expanding capacity. As disclosed in the Company's announcement on 8 January 2016, the Company has entered into a letter of offer and a letter of intent with VSIP Hai Duong Co., Ltd. for leasing two pieces of lands adjacent to each other with an aggregate area of approximately 121,804 square meters (subject to final survey) located at Vietnam Singapore Industrial Park in Hai Duong Province, Vietnam. The Group expects to commence the construction of certain new production facilities on the lands in 2016, and production will begin upon completion, which is expected to be in 2017. With these new production facilities, it is anticipated that, the Group's annual production capacity for each segment, including elastic fabric, elastic webbing and lace, will increase by approximately 20% to 25%. Establishment of production facilities in Vietnam not only enables the Group to make good use of local favorable trade and tariff exemptions cost advantage, but also strengthen our business collaborations with existing customers, thus making contributions to the Group in the long run.

Looking forward, the Group will respond to market changes rapidly and provide consumers with innovative products, thus expanding market share and maintaining business growth during the period of industry integration. The Group will be committed to strengthening the cooperation with existing customers by the one-stop solution business strategy, while actively exploring more business development opportunities for constant and satisfactory returns for shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 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 consolidated financial statements of the Group for the year ended 31 December 2015, 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 2015 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.

DIVIDEND POLICY AND FINAL DIVIDEND

The Board intends to maintain a long term, stable dividend payout ratio of not less than 20% of the Group's distributable profit for the year, providing shareholders with an equitable return.

The Board has resolved to declare a final dividend of HK8.0 cents per ordinary share in respect of the year ended 31 December 2015 (the "**Final Dividend**"). The Final Dividend is expected to be paid on or about 16 June 2016 to shareholders whose names appear on the register of members of the Company on 27 May 2016, subject to the approval by the shareholders at the forthcoming Annual General Meeting on 23 May 2016 (the "**AGM**"). An interim dividend of HK5.3 cents per share was paid by the Company on 18 September 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18 May 2016 to 23 May 2016, 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 17 May 2016 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 27 May 2016 and the register of members of the Company will be closed from 27 May 2016 to 31 May 2016, both days inclusive, 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 26 May 2016 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. The Board is of the view that the Company has met all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange throughout the year ended 31 December 2015.

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, 22 March 2016

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

* *Independent non-executive Director*