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 2016

HIGHLIGHTS

- The Group's revenue for the year ended 31 December 2016 amounted to approximately HK$2.47 billion, representing an increase of approximately 20.6% when compared to the year ended 31 December 2015.

  Sales revenue of elastic fabric as sportswear materials achieved a year-on-year growth of approximately 51.3%.

  Revenue from sales of lace increased from approximately HK$73.9 million for the year ended 31 December 2015 to approximately HK$110.2 million for the year ended 31 December 2016, representing a growth of approximately 49.1%.

- The Group's gross profit for the year ended 31 December 2016 amounted to approximately HK$828.0 million, representing an increase of approximately 21.7% when compared to the year ended 31 December 2015. Gross profit margin increased by approximately 0.3 percentage point to approximately 33.5%, as compared to the year ended 31 December 2015.

- Net profit for the year ended 31 December 2016 amounted to approximately HK$456.3 million, representing an increase of approximately 33.3% as compared to approximately HK$342.4 million for the year ended 31 December 2015. The Group achieved an improved net profit margin of approximately 18.5% for the year ended 31 December 2016, representing an increase of approximately 1.8 percentage points, as compared to approximately 16.7% for the year ended 31 December 2015.

- Basic earnings per share was HK44.37 cents for the year ended 31 December 2016, representing an increase of approximately 32.2% from HK33.56 cents for the year ended 31 December 2015.

- Proposed to declare a final dividend of HK9.5 cents per share in respect of the year ended 31 December 2016 (2015: HK8 cents).

The board of Directors (the "**Board**") of Best Pacific International Holdings Limited (the "**Company**" or "**Best Pacific**" or "**We**") announces the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** *HK$'000*	2015 *HK$'000*
Revenue	*3*	**2,469,106**	2,048,138
Cost of sales		**(1,641,128)**	(1,367,666)
Gross profit		**827,978**	680,472
Other income		**44,935**	45,896
Other gains and losses		**24,725**	699
Selling and distribution expenses		**(120,584)**	(97,651)
Administrative expenses		**(162,681)**	(144,630)
Research and development costs		**(55,361)**	(47,429)
Share of result of a joint venture		**5,715**	1,044
Finance costs		**(28,660)**	(24,179)
Profit before taxation	*5*	**536,067**	414,222
Income tax expense	*6*	**(79,816)**	(71,839)
Profit for the year		**456,251**	342,383
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(150,236)**	(128,924)
Share of translation reserve of a joint venture		**(590)**	(226)
Fair value gain (loss) on available-for-sale financial assets		**214**	(375)
Other comprehensive expense for the year		**(150,612)**	(129,525)
Total comprehensive income for the year		**305,639**	212,858
Earnings per share	*8*		
– Basic (HK cents)		**44.37**	33.56
– Diluted (HK cents)		**44.00**	33.21

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**1,324,704**	1,034,611
Prepaid lease payments		**80,521**	39,983
Interest in a joint venture		**15,300**	10,175
Deposits		**90,523**	33,733
Available-for-sale financial assets		**28,434**	2,522
Deferred tax assets		**867**	3,319
		1,540,349	1,124,343
Current assets			
Inventories		**504,635**	364,838
Prepaid lease payments		**894**	955
Trade and bills receivables	*9*	**555,167**	468,170
Other receivables, deposits and prepayments		**67,074**	29,259
Amount due from a joint venture		**5,506**	4,778
Amounts due from a related company		**1,923**	–
Derivative financial instrument		**12,811**	1,046
Pledged bank deposits		**61,610**	37,647
Short term bank deposits		**13,362**	242,430
Bank balances and cash		**424,540**	627,293
		1,647,522	1,776,416
Current liabilities			
Trade payables	*10*	**114,153**	123,813
Bills payable	*10*	**314,013**	264,925
Other payables and accrued charges		**200,981**	133,505
Amount due to a joint venture		**8,505**	2,745
Bank borrowings	*11*	**120,707**	588,157
Obligations under finance leases		**5,302**	11,427
Tax payable		**36,592**	24,011
		800,253	1,148,583
Net current assets		**847,269**	627,833
Total assets less current liabilities		**2,387,618**	1,752,176

	Notes	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Bank borrowings	*11*	**472,795**	–
Obligations under finance leases		**629**	5,931
Derivative financial instrument		**4,780**	323
Deferred income		**7,649**	6,978
		485,853	13,232
Net assets		**1,901,765**	1,738,944
Capital and reserves			
Share capital	12	**10,288**	10,213
Reserves		**1,891,477**	1,728,731
Equity attributable to owners of the Company		**1,901,765**	1,738,944

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

For the year ended 31 December 2016

1. GENERAL INFORMATION

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 14 June 2013. Its immediate holding company is Grandview Capital Investment Limited, which is incorporated in the British Virgin Islands and is wholly owned by Mr. Lu Yuguang, 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.

2. APPLICATION OF NEW AND AMENDMENTS TO 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 2016. 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.

Amendments to HKAS 1 "Disclosure Initiative"

The Group has applied the amendments to HKAS 1 "Disclosure Initiative" for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other HKFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. The grouping and ordering of certain disclosure notes have been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in the consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]

1 Effective for annual periods beginning on or after 1 January 2017.

2 Effective for annual periods beginning on or after 1 January 2018.

3 Effective for annual periods beginning on or after 1 January 2019.

4 Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 "Financial Instruments"

HKFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group 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 fair value through other comprehensive income ("**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 a financial liability's 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 is 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

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.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting period.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of approximately HK$11,043,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Other than those disclosed above, the directors of the Company anticipate that the application of other amendments to HKFRSs 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 makers ("**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 2016

	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	**1,636,597**	**832,509**	**2,469,106**
Segment profits	**363,241**	**199,823**	**563,064**
Unallocated other income			**21,986**
Unallocated other gains and losses			**24,725**
Unallocated corporate expenses			**(50,763)**
Share of result of a joint venture			**5,715**
Finance costs			**(28,660)**
Profit before taxation			**536,067**

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)
Share of result of a joint venture			1,044
Finance costs			(24,179)
Profit before taxation			414,222

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, change in fair value in derivative financial instruments, net foreign exchange gain, share of result of a joint venture, (loss) gain 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, 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 2016

	Manufacturing and trading of elastic fabric and lace *HK$'000*	Manufacturing and trading of elastic webbing *HK$'000*	Total *HK$'000*
ASSETS			
Segment assets	**1,979,458**	**517,937**	**2,497,395**
Property, plant and equipment			**52,088**
Prepaid lease payments			**43,978**
Interest in a joint venture			**15,300**
Available-for-sale financial assets			**28,434**
Deferred tax assets			**867**
Other receivables, deposits and prepayments			**37,486**
Derivative financial instrument			**12,811**
Pledged bank deposits			**61,610**
Short term bank deposits			**13,362**
Bank balances and cash			**424,540**
Total assets			**3,187,871**
LIABILITIES			
Segment liabilities	**446,825**	**193,562**	**640,387**
Other payables and accrued charges			**4,914**
Bank borrowings			**593,502**
Obligations under finance leases			**5,931**
Tax payable			**36,592**
Derivative financial instrument			**4,780**
Total liabilities			**1,286,106**

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
Interest in a joint venture			10,175
Available-for-sale financial assets			2,522
Deferred tax assets			3,319
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
Bank borrowings			588,157
Obligations under finance leases			17,358
Tax payable			24,011
Derivative financial instrument			323
Total liabilities			1,161,815

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 and prepaid lease payments for corporate use or the property and plant under construction in Vietnam, 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 2016

	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	**410,154**	**36,000**	**48,470**	**494,624**
Additions of prepaid leased payments	**–**	**–**	**43,978**	**43,978**
Depreciation of property, plant and equipment	**95,146**	**26,576**	**488**	**122,210**
Amortisation of prepaid lease payments	**894**	**–**	**–**	**894**
Reversal of allowance for obsolete inventories	**(6,923)**	**–**	**–**	**(6,923)**

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 for obsolete inventories	(509)	(480)	–	(989)

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	
	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**879,865**	768,768
The PRC	**671,739**	520,629
Sri Lanka	**470,411**	402,822
Europe and the United States of America	**88,821**	70,569
Indonesia	**60,755**	45,988
Vietnam	**50,444**	37,162
India	**44,170**	41,657
Thailand	**40,317**	29,487
South Korea	**36,731**	46,341
Others	**125,853**	84,715
	2,469,106	2,048,138

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

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
The PRC	**1,371,608**	1,103,519
Hong Kong	**10,484**	4,083
Vietnam	**121,964**	3,908
	1,504,056	1,111,510

Information about major customers

Revenues from customers contributing over 10% of the total revenue of the Group for the years ended 31 December 2016 and 2015 are as follows:

	Year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Revenue from manufacturing and trading of elastic fabric and lace		
– customer A	**210,601**	219,199
– customer B	**268,881**	202,758
Revenue from manufacturing and trading of elastic webbing		
– customer A	**106,778**	87,873
– customer B	**48,399**	28,772

5. PROFIT BEFORE TAXATION

	2016	2015
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**2,102**	2,108
Staff costs		
Directors' remuneration	**33,467**	24,263
Other staff costs		
– salaries and other benefits	**393,134**	325,747
– contributions to retirement benefits schemes	**32,573**	24,664
– equity-settled share-based payments	**3,775**	5,944
	462,949	380,618
Depreciation of property, plant and equipment	**122,210**	121,262
Depreciation capitalised in inventories	**(96,505)**	(104,499)
	25,705	16,763
Amortisation of prepaid lease payments	**894**	955
Operating lease rentals in respect of rented premises	**18,251**	13,564
Cost of inventories recognised as an expense	**1,641,128**	1,367,666
Including: reversal of allowance for obsolete inventories*	**(6,923)**	(989)
Gross rental income from properties	**–**	(452)
Less: Direct operating expenses that did not generate rental income	**–**	506
	–	54

* The reversal of allowance for obsolete inventories was due to sales of obsolete inventories during the year of which allowance had been made in previous years.

6. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**37,112**	21,412
The PRC Enterprise Income Tax ("**EIT**")	**45,701**	54,202
Over provision in prior years:		
Hong Kong Profits Tax	**–**	(106)
The PRC EIT	**(4,947)**	(3,764)
	77,866	71,774
Deferred taxation	**1,950**	95
	79,816	71,839

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, the tax rate of the PRC member companies within the Group is 25% for both years, unless there is any preferential tax treatment applicable.

Dongguan Best Pacific Textile Company Limited ("**Dongguan BPT**"), a subsidiary of the Company, has obtained the qualification as a high and new technology enterprise since 2010, which has been renewed for an additional three years from financial year ended 31 December 2016. Hence, Dongguan BPT is subject to the preferential tax treatment and the applicable tax rate for each of the years ended 31 December 2015 and 2016 is 15%. During the year ended 31 December 2016, Dongguan New Horizon Elastic Fabric Company Limited ("**Dongguan NHE**"), a subsidiary of the Company, was also qualified as a high and new technology enterprise for three years from the financial year ended 31 December 2016. Dongguan NHE is therefore also subject to preferential tax treatment and the applicable tax rate for the year ended 31 December 2016 is 15%.

7. DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2016 Interim dividend – HK7.3 cents (2015: 2015 interim dividend HK5.3 cents) per share	**75,072**	54,118
2015 Final dividend – HK8 cents (2015: 2014 final dividend HK5 cents) per share	**81,829**	50,939
	156,901	105,057

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2016 of HK9.5 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:

	2016	2015
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company) (HK$'000)	**456,251**	342,383
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,028,336,137**	1,020,063,452
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**8,481,488**	10,898,298
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,036,817,625**	1,030,961,750

9. TRADE AND BILLS RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**550,300**	457,876
Less: Allowance for bad and doubtful debts	**(1,133)**	(1,648)
Total trade receivables	**549,167**	456,228
Bills receivables	**6,000**	11,942
	555,167	468,170

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 sales 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.

	2016	2015
	HK$'000	*HK$'000*
Trade receivables		
0 – 90 days	**486,676**	431,397
91 – 180 days	**42,682**	19,930
Over 180 days	**19,809**	4,901
	549,167	456,228
Bills receivables		
0 – 90 days	**5,887**	11,942
91 – 180 days	**113**	–
	6,000	11,942
	555,167	468,170

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:

	2016	2015
	HK$'000	*HK$'000*
0 – 90 days	**110,222**	115,899
Over 90 days	**3,931**	7,914
	114,153	123,813

Bills payable

The bills payable are secured by pledged bank deposits. 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:

	2016	2015
	HK$'000	*HK$'000*
0 – 90 days	**236,383**	179,721
91 – 180 days	**77,630**	85,204
	314,013	264,925

11. BANK BORROWINGS

	2016	2015
	HK$'000	*HK$'000*
Unsecured syndicated loan	**585,693**	258,972
Unsecured bank borrowings	**7,809**	329,185
	593,502	588,157
Carrying amount repayable*:		
Within one year	**117,587**	578,816
More than one year, but not exceeding two years	**3,120**	6,223
More than two years, but not more than five years	**472,795**	3,118
	593,502	588,157
Less: Amounts due within one year or contain a repayment on demand clause shown under current liabilities	**(120,707)**	(588,157)
Amounts shown under non-current liabilities	**472,795**	–
Carrying amount of bank borrowings that are repayable within one year and contain a repayment on demand clause	**4,689**	319,844
Carrying amount of bank borrowings that are repayable more than one year but contain a repayment on demand clause	**3,120**	9,341
	7,809	329,185

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

During the year ended 31 December 2016, the Group entered into a new facility agreement for an unsecured syndicated loan. The new unsecured syndicated loan is guaranteed by the Company, which is to be repayable by installments from 1 February 2017 to 1 February 2019 and with an interest rate at 2.6% plus Hong Kong Interbank Offered Rate per annum.

As at 31 December 2015, 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 2016 and 2015.

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 2015 and 31 December 2015 and 2016	50,000,000,000	500,000,000	500,000
Issued and fully paid:			
At 1 January 2015	1,018,778,000	10,187,780	10,188
Issue of shares upon exercise of share options *(note a)*	2,498,000	24,980	25
At 31 December 2015	1,021,276,000	10,212,760	10,213
Issue of shares upon exercise of share options *(note b)*	7,505,000	75,050	75
At 31 December 2016	1,028,781,000	10,287,810	10,288

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

Notes:

(a) 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.

(b) On 14 January 2016, 13 and 28 April 2016, 18, 23, 24 and 27 May 2016, 1, 2, 8, 21 and 28 June 2016, 5, 6 and 15 July 2016 and 28 and 29 December 2016, the Company issued 600,000, 66,000, 88,000, 134,000, 456,000, 240,000, 1,000,000, 900,000, 1,550,000, 110,000, 149,000, 282,000, 302,000, 962,000, 265,000, 201,000 and 200,000 shares respectively upon the exercise of share options by Directors 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 2016.

During the year under review, there have been a few major headwinds mounted uncertainties over the impact of policy initiatives. People seemingly are looking for breakthroughs from traditional frameworks, which is evidential by a number of black swan events including the outcomes from the presidential election in the United States of America ("**U.S.**") and the Brexit. In the PRC, downward pressure on renminbi ("**RMB**") persisted, and the 6.6 percent RMB depreciation in 2016 is arguably to have led to the shrinking of China's foreign exchange reserves to below US$3 trillion in January 2017 and the respective continuous capital outflow. All these had added to the turmoil in the financial markets and Best Pacific was certainly facing the same volatilities.

Whilst Best Pacific is experiencing various challenges in the rather fragile and volatile business and economic environment, we believe globalisation is the trend and further consolidation will continue, resulting in the favour of the sizeable market leaders. Best Pacific, in this case, has not hesitated but rather grown at a healthy and fast pace. Our one-stop solutions strategy has certainly played its important role in growing our businesses beyond the organic growth of the market, which in turn has helped boosting revenue across different segments of our businesses ranging from elastic fabric to elastic webbing and lace and Best Pacific has been trying all means to cement its unique position as a one-stop solutions lingerie materials provider.

On the other hand, global sportswear market was a supernova in 2016. According to Euromonitor International's research report, the retail sales value is estimated to show a 7% compound annual growth rate ("**CAGR**") from 2016 to 2020, as compared to about a 3.4% CAGR recorded between 2010 and 2015. "One in every six dollars we spend globally on apparel and footwear, we spend on sportswear", quoted from a Euromonitor International's research report, which implies the huge potential in the sportswear market and has reaffirmed Best Pacific's intention to further expand our sportswear business.

The increasing health consciousness of the public and the continuous technological advancement of synthetic textile products have contributed to the recent success of the Group. During the year ended 31 December 2016, the Group's total revenue increased by approximately 20.6% as compared to the year ended 31 December 2015, which was a combined result from the high demand of synthetic made lingerie and sportswear materials. The consumption of synthetic fibre made a record high during 2016 and the paradigm global shift in global textile supply chain is expected to continue. Our one-stop solutions strategy will further benefit the Group from such trend as some of our major lingerie customers are also expanding their businesses into sportswear, creating further cross-selling opportunities for the Group. As one of their existing major raw material suppliers of the lingerie products, Best Pacific is prepared to provide innovative products to support their new sportswear expansion.

During 2016, the Group has strived to build more intact relationship with various leading sportswear brands. A big encouragement to our research and development team is the recognition we have attained, with the revenue from sportswear materials business of the Group for the year ended 31 December 2016 surging by approximately 51.3%. The innovative capability of the Group is further endorsed by the qualification obtained from the PRC government. The Group's PRC subsidiaries, Dongguan BPT has successfully renewed and Dongguan NHE has been qualified, as a high and new technology enterprise in 2016 respectively. Echoing the Group's core value – "build on innovation and technology", Best Pacific is always committed to strengthening its research and development capabilities, and the Group has the plan in 2017 to build a first class research and development center.

Albeit U.S. protectionism is still a wild card to Asian exporters, the fast fashion trend is changing at a faster pace than ever. As one of the raw material suppliers to the brand owners, such trend gives us an increasing pressure on order feasibility. During the year ended 31 December 2016, in order to capitalise on the vast market growth potentials and to further consolidate the Group's leading market position, we have continued to expand our production capacity by constructing new production facilities in the PRC as well as establishing the first overseas production base in Vietnam. The construction of the manufacturing plant in Vietnam is expected to be completed by mid-2017 and commence production in the second half of 2017. It is believed that such global expansion would help Best Pacific serve our customers better and hence achieve further market share gain.

Looking forward to 2017, we are confident with the Group's prospects and we will continue our dedication in strengthening our outstanding research and development capabilities, which we believe to be the key for the Group to further penetrate the lingerie market and to grasp the massive market opportunities in the sportswear materials sector. Meanwhile, the Group will also actively identify good merger and acquisition opportunities in the market in order to acquire quality assets that will bring synergies to the Group.

We firmly believe that with the unremitting efforts from the management and the Group's pioneering and innovative spirit, Best Pacific will work with its customers, business partners and shareholders to maximise its corporate value and deliver promising returns to its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year under review, the Group continued to leverage on its advantage as a one-stop solutions supplier in both the lingerie and sportswear markets. Globalisation is an unavoidable trend where market leaders would benefit from their larger scale in the longer run. Continuous recognitions from both the customers and business partners had supported the Group to yield a fruitful year with satisfactory business growth and results. For the year ended 31 December 2016, Best Pacific succeeded in continuing the momentum of revenue growth with the topline growing at a rate of 20.6% to approximately HK$2.47 billion. At the same time, the Group further improved its profitability through its economies of scale and by the increasing positive contribution from the sportswear business segment, and achieved its historical high gross profit margin as well as net profit margin. The gross profit margin and net profit margin increased to 33.5% and 18.5% respectively, as compared to 33.2% and 16.7%, respectively for the year ended 31 December 2015. The management has strived to deliver a promising result, with the profit attributable to equity shareholders recorded a historical high of approximately HK$456.3 million, representing an increase of 33.3% as compared to the year ended 31 December 2015.

Regardless of the sentimental retail environment in the second half of 2016, Best Pacific was able to demonstrate its market share gain in all business segments. During the year ended 31 December 2016, sales of elastic fabric and elastic webbing increased by 21.1% and 16.7% on a year-on-year basis to approximately HK$1.53 billion and HK$832.5 million, which contributed to approximately 61.8% and 33.7% of our total revenue, respectively.

Specifically, the growth in the sportswear and lace segments has demonstrated Best Pacific's ability in gaining the recognition and support from both existing and new customers. During the year under review, revenue from the sportswear and lace segments surged by 51.3% and 49.1% to approximately HK$455.5 million and HK$110.2 million, respectively. Distinctive product innovation and high product quality is always believed to be the crux in winning sales orders from the leading brand owners.

With the ambition to seize the enormous market potential in the sportswear and apparel markets, the Group has further expanded its production capacity by establishing new manufacturing facilities and installing additional machineries, in order to cope with the growing demand from customers. Apart from the high quality and innovation to be embedded into the products, production lead time is another crucial factor in winning customer orders. The Group also believes that it is necessary to streamline the production and inventory management process so as to speed up the processing time from production to product delivery. During the year ended 31 December 2016, Best Pacific has commenced the construction of an automated inventory management system in Dongguan, China, which is expected to be completed in the second quarter of year 2017. Such automatic inventory management system is expected to result in the benefits of shorter inventory management lead time, lower labour costs and land area saving of approximately 25,000 to 30,000 square meters.

As of the date ended 31 December 2016, our annual designed production capacities of elastic fabric, elastic webbing and lace were approximately 84.6 million meters, 1,190.6 million meters and 22.8 million meters, respectively. The completion of construction of Phase VI production plant in Dongguan, China and the expected commencement of production of our Vietnam plant by mid-2017 will further boost up our production capacity in different business segments. This would further strengthen our leading position as one of the world's largest lingerie fabric suppliers and also enable us to capture the vast growth potential in the sportswear and apparel markets. We firmly believe that Best Pacific has been capturing the right moment and opportunities and we hope to continue deliver promising results in the future.

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 2016, revenue amounted to approximately HK$2.47 billion, representing an increase of approximately HK$421.0 million, or approximately 20.6%, from approximately HK$2.05 billion for the year ended 31 December 2015. 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, 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 2015 and 2016 by product categories is as follows:

	For the year ended 31 December					
	2016		2015		Change	
	Revenue *(HK$'000)*	**% of Revenue**	Revenue *(HK$'000)*	% of Revenue	*(HK$'000)*	%
Elastic fabric	**1,526,439**	**61.8**	1,260,670	61.6	265,769	21.1
Elastic webbing	**832,509**	**33.7**	713,587	34.8	118,922	16.7
Lace	**110,158**	**4.5**	73,881	3.6	36,277	49.1
Total	**2,469,106**	**100.0**	2,048,138	100.0	420,968	20.6

For the year ended 31 December 2016, revenue from sales of elastic fabric amounted to approximately HK$1.53 billion, representing an increase of approximately HK$265.8 million, or approximately 21.1%, as compared to the year ended 31 December 2015. 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 approximately 51.3% in sales revenue of elastic fabric as sportswear materials.

Revenue from sales of elastic webbing amounted to approximately HK$832.5 million, representing an increase of approximately HK$118.9 million, or approximately 16.7%, as compared to the year ended 31 December 2015. 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$73.9 million for the year ended 31 December 2015 to approximately HK$110.2 million for the year ended 31 December 2016, giving a year-on-year growth of approximately 49.1%.

Cost of sales

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

Cost of sales – by nature of expense

	For the year ended 31 December					
	2016		2015		Change	
	(HK$'000)	**%**	*(HK$'000)*	%	*(HK$'000)*	%
Raw materials	**886,264**	**54.0**	796,439	58.2	89,825	11.3
Manufacturing overheads	**555,414**	**33.8**	400,463	29.3	154,951	38.7
Direct labour	**188,645**	**11.5**	159,860	11.7	28,785	18.0
Others	**10,805**	**0.7**	10,904	0.8	(99)	(0.9)
Total	**1,641,128**	**100.0**	1,367,666	100.0	273,462	20.0

The Group's cost of sales for the year ended 31 December 2016 amounted to approximately HK$1.64 billion, representing an increase of approximately HK$273.5 million, or approximately 20.0%, as compared to the year ended 31 December 2015. The increase in our cost of sales was primarily due to (1) the increase in our total sales volume; and (2) 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 the demand of our products.

Cost of sales – by product category

	For the year ended 31 December					
	2016		2015		Change	
	(HK$'000)	**%**	*(HK$'000)*	%	*(HK$'000)*	%
Elastic fabric	**1,019,727**	**62.2**	866,600	63.4	153,127	17.7
Elastic webbing	**563,635**	**34.3**	464,119	33.9	99,516	21.4
Lace	**57,766**	**3.5**	36,947	2.7	20,819	56.3
Total	**1,641,128**	**100.0**	1,367,666	100.0	273,462	20.0

The cost of sales by product category as a percentage of the total cost of sales for the year ended 31 December 2016 remained relatively stable as compared to the year ended 31 December 2015.

Gross profit, gross profit margin and net profit margin

	For the year ended 31 December			
	2016		2015	
	Gross profit *(HK$'000)*	**Gross profit margin** *(%)*	Gross profit *(HK$'000)*	Gross profit margin *(%)*
Elastic fabric	**506,712**	**33.2**	394,070	31.3
Elastic webbing	**268,874**	**32.3**	249,468	35.0
Lace	**52,392**	**47.6**	36,934	50.0
Total	**827,978**	**33.5**	680,472	33.2

The overall gross profit increased from approximately HK$680.5 million for the year ended 31 December 2015 to approximately HK$828.0 million for the year ended 31 December 2016. The Group's overall gross profit margin for the year ended 31 December 2016 increased by approximately 0.3 percentage point to 33.5%, as compared to 33.2% for the year ended 31 December 2015. The improved overall gross profit margin was mainly driven by the enhanced profitability in elastic fabric manufacturing as a result of the increased cost effectiveness brought by the economies of production scale.

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

Net profit for the year ended 31 December 2016 amounted to approximately HK$456.3 million, representing an increase of approximately 33.3% as compared to approximately HK$342.4 million for the year ended 31 December 2015. The Group achieved an improved net profit margin of approximately 18.5% for the year ended 31 December 2016, representing an increase of 1.8 percentage points and the Group's historical high record. The increase was mainly driven by the overall improved manufacturing efficiency, increased government grants, and effective cost control measures as reflected in the lower administrative expenses to sales ratio.

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	
	2016	2015
	HK$'000	*HK$'000*
Bank interest income	**18,708**	29,696
Net proceeds from sales of scrap materials	**6,499**	6,396
Rental income	**–**	452
Government grants	**9,962**	5,469
Others	**9,766**	3,883
Total	**44,935**	45,896

The decrease in other income by 2.1%, from approximately HK$45.9 million for the year ended 31 December 2015 to approximately HK$44.9 million for the year ended 31 December 2016, was mainly the result of the aggregate effect of the increase in government grants received and the decrease in bank interest income.

Other gains and losses

Other gains and losses mainly consist of net foreign exchange gain and change in fair value in derivative financial instruments. The increase in other gains and losses of approximately HK$24.0 million was mainly resulted from the increase in both net foreign exchange gain and change in fair value in derivative financial instruments.

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 2015 and 2016, the Group's selling and distribution expenses represented approximately 4.8% and 4.9% 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 2015 and 2016, the Group's administrative expenses represented approximately 7.1% and 6.6% 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 year ended 31 December 2016 was approximately HK$6.0 million (2015: HK$11.7 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 2015 and 2016, the Group's research and development costs represented approximately 2.3% and 2.2% of its total revenue, respectively.

Finance costs

The Group's finance costs represent interest expenses for bank borrowings. The finance costs increased by approximately 18.5% from approximately HK$24.2 million for the year ended 31 December 2015 to approximately HK$28.7 million for the year ended 31 December 2016. The increase in finance costs was primarily due to the increase in average balance in bank borrowings as a result of continuous expansion in the Group's production scale.

Income tax expenses

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for 2015 and 2016. Under the EIT Law and Implementation Regulation of the EIT Law, the tax rate of the PRC member companies within the Group is 25% during the years ended 31 December 2015 and 2016, unless there is any preferential tax treatment applicable.

Dongguan BPT, a subsidiary of the Company, has obtained the qualification as a high and new technology enterprise since 2010, which has been renewed for an additional three years from the financial year ended 31 December 2016. Hence, Dongguan BPT is subject to the preferential tax treatment and the applicable tax rate for each of the years ended 31 December 2015 and 2016 is 15%. During the year ended 31 December 2016, Dongguan NHE, a subsidiary of the Company, was also qualified as a high and new technology enterprise for three years from the financial year ended 31 December 2016. Dongguan NHE is therefore also subject to the preferential tax treatment and the applicable tax rate for the year ended 31 December 2016 is 15%.

The effective tax rate decreased from 17.3% for the year ended 31 December 2015 to 14.9% for the year ended 31 December 2016.

Liquidity, financial resources and bank borrowings

The Group maintains a strong and healthy financial position. As at 31 December 2016, net working capital (calculated as current assets less current liabilities) was approximately HK$847.3 million, representing an increase of approximately HK$219.5 million as compared with 31 December 2015. The current ratio (calculated as current assets/current liabilities) is at 2.1 times as at 31 December 2016 as compared to 1.5 times as at 31 December 2015.

For the year ended 31 December 2016, net cash generated from operating activities decreased from approximately HK$437.5 million for the year ended 31 December 2015 to approximately HK$376.0 million for the year ended 31 December 2016.

Net cash used in investing activities amounted to approximately HK$369.2 million for the year ended 31 December 2016, as compared to net cash generated from investment activities amounting to approximately HK$352.5 million for the year ended 31 December 2015. The main investing activities of the Group for the year ended 31 December 2016 were the addition of property, plant and equipment of approximately HK$522.4 million, which included the Group's investment in the production base in Vietnam.

During the year ended 31 December 2016, net cash used in financing activities amounted to approximately HK$182.3 million, as compared to net cash used in financing activities of approximately HK$219.0 million for the year ended 31 December 2015. The cash used in the Group's financing activities for the year ended 31 December 2016 was mainly due to the repayment of syndicated loan and bank borrowings, as well as the payment of dividends.

As at 31 December 2016, the Group's gearing ratio was 31.2% (31 December 2015: 33.8%), which was calculated on the basis of the amount of total bank borrowings as a percentage of total equity. The Group was in a net debt position of approximately HK$94.0 million as at 31 December 2016, as compared to a net cash position of HK$319.2 million as at 31 December 2015.

Working capital management

	As at 31 December		Change	
	2016	2015	*(days)*	*(%)*
Inventory turnover days	**97.0**	95.1	1.9	2.0
Trade and bills receivables turnover days	**75.8**	79.0	(3.2)	(4.1)
Trade and bills payables turnover days	**91.1**	99.5	(8.4)	(8.4)

Our inventory turnover days for the year ended 31 December 2016 remained relatively stable.

The decrease in trade and bills receivables turnover days from 79.0 days for the year ended 31 December 2015 to 75.8 days for the year ended 31 December 2016 was primarily attributable to the continuous improvement in management of trade receivables.

The decrease in trade and bills payables turnover days for the year ended 31 December 2016 by 8.4 days was primarily due to the increase in the use of cash to settle transactions for the benefits of lower prices.

Capital expenditure

For the year ended 31 December 2016, total addition to property, plant and equipment amounted to approximately HK$494.6 million (2015: approximately HK$115.0 million), which was mainly attributed to the increase in investment in machinery of approximately HK$222.4 million (2015: approximately HK$89.4 million) as well as the construction in progress of approximately HK$242.1 million (2015: approximately HK$17.0 million) to cope with the Group's overall business expansion.

Pledge of assets

As at 31 December 2016, the Group pledged certain bank deposits and equipment to secure the bills payable issued by and the obligations under the finance leases of the Group.

The carrying amounts of the assets pledged are as follows:

	As at 31 December	
	2016	2015
	(HK$'000)	*(HK$'000)*
Pledged bank deposits	**61,610**	37,647
Equipment	**37,105**	50,965
Total	**98,715**	88,612

Contingent liabilities

As at 31 December 2016, 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 orders 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 dollars and U.S. dollars primarily by our Company and Hong Kong subsidiaries.

Employees and remuneration policies

As at 31 December 2016, the Group employed a total of 5,725 full-time employees (as at 31 December 2015: 4,532). 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 the share option schemes of the Company.

FUTURE STRATEGIES AND PROSPECTS

Political instability is seen as the key challenge going into 2017 and it is still difficult to ascertain the impact on the coming global economy. However, the continued uncertainties towards the global economy in the past few years have underscored the importance of using different policy tools – monetary, fiscal and structural or in combination, by all countries to boost economic growth. According to "Global Economies and Consumers in 2017", written by Euromonitor International, global consumer expenditure is expected to rise by 2.3% in 2017 in real terms. On the other hand, the U.S. Federal Reserve has raised its benchmark interest rate for the second time in three months since the start of 2017 and gradual rate hike is now seen to be the market consensus. With the steady growth in the lingerie market and the upsurge of the sportswear sector, the Group will continue its dedication in penetrating the existing lingerie and sportswear markets and at the same time further expanding its sportswear and apparel customer portfolio.

Athleisure is believed to have evolved into a revolutionary fashion, with fashionable sportswear filtering into everyday wear. It is no longer only a trend but rather a lifestyle blending into our daily life. Amongst all, China's sports industry has entered into a new era. The State Council of the PRC has targeted sports and fitness for rapid expansion, aiming for the industry to exceed RMB5 trillion in value by 2025. As quoted from the "CHINA GETS ITS GAME ON: The emerging power of China's sports and fitness industry" by the Economist, China's clothing and footwear, health, and leisure and education sectors will poise for strong growth of between 26% and 42% over the next five years. With this enormous market potential and the strong demand for functional, differentiated and premium products, Best Pacific is prepared to better equip ourselves by enhancing our research and development capabilities and by further increasing our investment in production capacity to cope with the upcoming business opportunities.

Looking forward, despite the uncertainties in the macro-economy and retail markets, Best Pacific will strive to be the pioneer to fill the lingerie and sportswear markets with innovative concepts. Synthetic yarns have shown signs of price rebound on the back of the recent global crude oil price surge. In order to better control our costs of manufacturing and maintain our competency in the market, the Group will further improve its production efficiency through streamlining and automating its existing manufacturing process and by coping the benefits of economies of production scale. With the Group's strong research and development capabilities, long established customer relationship and advantages gained from the economies of scale, Best Pacific believes that we would continue to deliver the momentum of a satisfactory growth and return to the shareholders.

PURCHASE, SALES 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 2016.

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 2016, 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 2016 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 HK9.5 cents per ordinary share in respect of the year ended 31 December 2016 (the "**Final Dividend**") (2015: HK8 cents). The Final Dividend is expected to be paid on or about 14 June 2017 to shareholders whose names appear on the register of members of the Company on 29 May 2017, subject to the approval by the shareholders at the forthcoming annual general meeting of the Company on 19 May 2017 (the "**AGM**").

An interim dividend of HK7.3 cents per share was paid by the Company on 13 September 2016 (2015: HK5.3 cents).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 May 2017 to 19 May 2017, 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 15 May 2017 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 29 May 2017 and the register of members of the Company will be closed from 25 May 2017 to 29 May 2017, 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 24 May 2017 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 2016.

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, 20 March 2017

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*