BEST PACIFIC

Best Pacific International Holdings Limited

超盈國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2111)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

- The Group's revenue for the six months ended 30 June 2021 amounted to approximately HK$2,076.3 million, representing an increase of approximately 47.6% as compared to the six months ended 30 June 2020.

  Sales revenue of sportswear and apparel fabric materials for the six months ended 30 June 2021 recorded a period-on-period growth of approximately 54.0% and amounted to approximately HK$983.4 million (for the six months ended 30 June 2020: approximately HK$638.7 million).

- The Group's gross profit for the six months ended 30 June 2021 amounted to approximately HK$507.0 million, representing an increase of approximately 48.4% as compared to the six months ended 30 June 2020.

- Net profit for the six months ended 30 June 2021 amounted to approximately HK$168.7 million, representing an increase of approximately 118.6% as compared to approximately HK$77.2 million for the six months ended 30 June 2020. The Group achieved an improved net profit margin of approximately 8.1% for the six months ended 30 June 2021, representing a growth of approximately 2.6 percentage points, as compared to approximately 5.5% for the six months ended 30 June 2020.

- Profit attributable to owners of the Company for the six months ended 30 June 2021 amounted to approximately HK$175.2 million, representing an increase of approximately 105.2% as compared to the six months ended 30 June 2020.

- Basic earnings per share was approximately HK16.85 cents for the six months ended 30 June 2021, representing an increase of approximately 105.2% from approximately HK8.21 cents for the six months ended 30 June 2020.

- The Board has resolved to declare an interim dividend of HK7.5 cents for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

The board of Directors (the "**Board**") of Best Pacific International Holdings Limited (the "**Company**" or "**Best Pacific**" or "**we**") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2021 (the "**Reporting Period**"), together with the comparative figures for the six months ended 30 June 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2021 (unaudited)

		Six months ended	
		30.6.2021	30.6.2020
	Notes	**HK$'000**	HK$'000
		(unaudited)	(unaudited)
Revenue	*4*	**2,076,272**	1,406,651
Cost of sales		**(1,569,237)**	(1,065,044)
Gross profit		**507,035**	341,607
Other income		**22,932**	13,165
Other gains and losses		**(32)**	(616)
Net remeasurement of credit loss allowance for trade receivables	*10*	**(7,881)**	(12,895)
Selling and distribution expenses		**(97,220)**	(69,568)
Administrative expenses		**(153,017)**	(108,754)
Research and development costs		**(50,734)**	(34,871)
Share of result of a joint venture		**1,634**	508
Finance costs		**(27,505)**	(41,551)
Profit before taxation	*5*	**195,212**	87,025
Income tax expense	*6*	**(26,520)**	(9,844)
Profit for the period		**168,692**	77,181
Profit (loss) for the period attributable to			
– Owners of the Company		**175,230**	85,406
– Non-controlling interests		**(6,538)**	(8,225)
		168,692	77,181
Earnings per share	*8*		
Basic (HK cents)		**16.85**	8.21

	Six months ended	
	30.6.2021	30.6.2020
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period	**168,692**	77,181
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**42,760**	(59,904)
Share of translation reserve of a joint venture	**365**	541
Other comprehensive income (expense) for the period	**43,125**	(59,363)
Total comprehensive income for the period	**211,817**	17,818
Total comprehensive income (expense) for the period attributable to		
– Owners of the Company	**218,355**	26,043
– Non-controlling interests	**(6,538)**	(8,225)
	211,817	17,818

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021 (unaudited)

	Notes	**30.6.2021 HK$'000 (unaudited)**	31.12.2020 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*9*	**2,926,434**	2,970,302
Right-of-use assets	*9*	**275,720**	272,109
Interest in a joint venture		**36,750**	34,751
Deposits		**28,054**	25,668
Deferred tax assets		**4,650**	5,387
		3,271,608	3,308,217
Current assets			
Inventories		**1,174,918**	922,301
Trade and bills receivables	*10*	**739,504**	807,898
Other receivables, deposits and prepayments		**87,620**	98,521
Tax recoverables		**2,235**	10,773
Pledged bank deposits		**82,625**	77,944
Short term bank deposits		**–**	8,338
Bank balances and cash		**1,272,196**	1,092,855
		3,359,098	3,018,630
Current liabilities			
Trade payables	*11*	**270,128**	243,050
Bills payables	*11*	**316,370**	323,248
Other payables and accrued charges		**282,751**	280,981
Dividend payable	*7*	**76,946**	–
Lease liabilities		**17,220**	13,485
Contract liabilities		**33,001**	33,267
Bank borrowings	*12*	**1,445,805**	1,313,569
Bank overdrafts	*12*	**23,022**	–
Tax payables		**29,976**	15,351
Derivative financial instrument		**1,402**	1,402
		2,496,621	2,224,353
Net current assets		**862,477**	794,277
Total assets less current liabilities		**4,134,085**	4,102,494

	Note	30.6.2021 HK$'000 (unaudited)	31.12.2020 HK$'000 (audited)
Non-current liabilities			
Bank and other borrowings	*12*	**865,123**	972,952
Lease liabilities		**80,534**	76,647
Deferred income		**16,586**	16,340
Deferred tax liabilities		**6,574**	5,758
Retirement benefit obligations		**8,652**	9,060
Other liabilities		**3,564**	3,556
		981,033	1,084,313
Net assets		**3,153,052**	3,018,181
Capital and reserves			
Share capital		**10,398**	10,398
Reserves		**3,065,314**	2,923,905
Equity attributable to owners of the Company		**3,075,712**	2,934,303
Non-controlling interests		**77,340**	83,878
Total equity		**3,153,052**	3,018,181

NOTES

For the six months ended 30 June 2021

1. GENERAL INFORMATION

The Company is a public company 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 and ultimate 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 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 condensed consolidated financial statements.

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") as disclosed below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group had applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which were mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Except as described below, the application of the amendments to HKFRSs in the current interim period had no material impact on the Group's financial position and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2"

3.1.1 Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in HKFRS 9 "Financial Instrument" on modification of a financial asset or a financial liability to the additional changes to which the practical expedient does not apply.

3.1.2 Transition and summary of effects

As at 1 January 2021, the Group had several bank and other borrowings and bank overdrafts, the interest of which were indexed to benchmark rates that would or might be subject to interest rate benchmark reform. The amounts of bank and other borrowings and bank overdrafts were shown at their carrying amounts.

	HK\$ Hong Kong Interbank Offered Rate ("HIBOR") HK\$'000	**US\$ London Interbank Offered Rate ("LIBOR") HK\$'000**
Financial liabilities		
Bank and other borrowings	**1,339,350**	**971,578**
Bank overdrafts	**–**	**23,022**

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending 31 December 2021.

4. REVENUE AND SEGMENT INFORMATION

Revenue

The Group's revenue is derived from manufacturing and trading of elastic fabric, lace and elastic webbing in the People's Republic of China (the "**PRC**"), Hong Kong, the Socialist Republic of Vietnam ("**Vietnam**") and the Democratic Socialist Republic of Sri Lanka ("**Sri Lanka**"), net of discounts and sales related taxes. The Group's revenue is recognised at a point in time.

Disaggregation of revenue from contracts with customers

For the six months ended 30 June 2021 (unaudited)

Types of goods	Manufacturing and trading of elastic fabric and lace HK$'000	Manufacturing and trading of elastic webbing HK$'000	Total HK$'000
Sales of products			
Elastic fabric			
– Sportswear and apparel	**983,409**	**–**	**983,409**
– Lingerie	**560,752**	**–**	**560,752**
	1,544,161	**–**	**1,544,161**
Lace	**43,688**	**–**	**43,688**
Elastic webbing	**–**	**488,423**	**488,423**
	1,587,849	**488,423**	**2,076,272**

For the six months ended 30 June 2020 (unaudited)

Types of goods	Manufacturing and trading of elastic fabric and lace HK$'000	Manufacturing and trading of elastic webbing HK$'000	Total HK$'000
Sales of products			
Elastic fabric			
– Sportswear and apparel	638,677	–	638,677
– Lingerie	425,834	–	425,834
	1,064,511	–	1,064,511
Lace	42,641	–	42,641
Elastic webbing	–	299,499	299,499
	1,107,152	299,499	1,406,651

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 knitted lingerie, sportswear and apparel products.

- Manufacturing and trading of elastic webbing

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

Segment revenue and results

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

For the six months ended 30 June 2021 (unaudited)

	Manufacturing and trading of elastic fabric and lace HK$'000	**Manufacturing and trading of elastic webbing HK$'000**	**Total HK$'000**
Segment revenue from external customers	**1,587,849**	**488,423**	**2,076,272**
Segment profits	**139,278**	**83,448**	**222,726**
Unallocated other income			**12,274**
Unallocated other gains and losses			**(32)**
Unallocated corporate expenses			**(13,885)**
Share of result of a joint venture			**1,634**
Finance costs			**(27,505)**
Profit before taxation			**195,212**

For the six months ended 30 June 2020 (unaudited)

	Manufacturing and trading of elastic fabric and lace HK$'000	Manufacturing and trading of elastic webbing HK$'000	Total HK$'000
Segment revenue from external customers	1,107,152	299,499	1,406,651
Segment profits	94,198	38,510	132,708
Unallocated other income			5,665
Unallocated other gains and losses			(1,032)
Unallocated corporate expenses			(9,273)
Share of result of a joint venture			508
Finance costs			(41,551)
Profit before taxation			87,025

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, net foreign exchange loss, corporate expenses, share of result of a joint venture and finance costs. Corporate expenses include directors' remuneration paid or payable by the Group and certain administrative expenses for corporate functions. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

As at 30 June 2021 (unaudited)

	Manufacturing and trading of elastic fabric and lace HK$'000	Manufacturing and trading of elastic webbing HK$'000	Total HK$'000
ASSETS			
Segment assets	**4,448,755**	**739,381**	**5,188,136**
Property, plant and equipment			**2,520**
Right-of-use assets			**20,823**
Interest in a joint venture			**36,750**
Deferred tax assets			**4,650**
Other receivables, deposits and prepayments			**20,771**
Tax recoverables			**2,235**
Pledged bank deposits			**82,625**
Bank balances and cash			**1,272,196**
Total assets			**6,630,706**
LIABILITIES			
Segment liabilities	**760,098**	**222,182**	**982,280**
Bank and other borrowings			**2,310,928**
Bank overdrafts			**23,022**
Lease liabilities			**22,258**
Other payables and accrued charges			**24,268**
Dividend payable			**76,946**
Tax payables			**29,976**
Derivative financial instrument			**1,402**
Deferred tax liabilities			**6,574**
Total liabilities			**3,477,654**

As at 31 December 2020 (audited)

	Manufacturing and trading of elastic fabric and lace HK$'000	Manufacturing and trading of elastic webbing HK$'000	Total HK$'000
ASSETS			
Segment assets	4,372,162	678,550	5,050,712
Property, plant and equipment			2,127
Right-of-use assets			13,982
Interest in a joint venture			34,751
Deferred tax assets			5,387
Other receivables, deposits and prepayments			29,978
Tax recoverables			10,773
Pledged bank deposits			77,944
Short term bank deposits			8,338
Bank balances and cash			1,092,855
Total assets			6,326,847
LIABILITIES			
Segment liabilities	756,218	203,552	959,770
Bank and other borrowings			2,286,521
Other payables and accrued charges			25,713
Lease liabilities			14,151
Tax payables			15,351
Derivative financial instrument			1,402
Deferred tax liabilities			5,758
Total liabilities			3,308,666

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

- all assets are allocated to operating and reportable segments, other than certain property, plant and equipment and right-of-use assets for corporate use, interest in a joint venture, deferred tax assets, tax recoverables, pledged bank deposits, short term bank deposits and bank balances and cash and certain other corporate assets.

- all liabilities are allocated to operating and reportable segments, other than bank and other borrowings, bank overdrafts, lease liabilities for corporate use, dividend payable, tax payables, derivative financial instrument, deferred tax liabilities and certain other corporate liabilities.

5. PROFIT BEFORE TAXATION

	Six months ended 30.6.2021 HK$'000 (unaudited)	30.6.2020 HK$'000 (unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**167,028**	149,209
Depreciation of right-of-use assets	**13,832**	12,193
Depreciation capitalised in inventories	**(140,586)**	(121,507)
	40,274	39,895
Cost of inventories recognised as an expense	**1,569,237**	1,065,044
Including: allowance for slow-moving inventories (reversed) recognised	**(5,629)**	1,437
Net proceeds from sales of scrap materials (included in other income)	**(2,462)**	(2,868)
Bank interest income (included in other income)	**(10,455)**	(4,055)
Government grants (included in other income)	**(6,984)**	(2,886)
Net foreign exchange loss (included in other gains and losses)	**32**	1,032

6. INCOME TAX EXPENSE

	Six months ended 30.6.2021 HK$'000 (unaudited)	30.6.2020 HK$'000 (unaudited)
Current tax:		
Hong Kong Profits Tax	**9,741**	792
The PRC Enterprise Income Tax ("**EIT**")	**13,656**	13,590
Withholding tax on dividends from subsidiaries	**–**	5,790
Income tax in other jurisdiction	**80**	–
Under/(over) provision in prior years:		
Hong Kong Profits Tax	**–**	(1,315)
The PRC EIT	**1,461**	–
	24,938	18,857
Deferred taxation	**1,582**	(9,013)
	26,520	9,844

Under the two-tiered profits tax rates regime passed by the Hong Kong Legislative Council in March 2018, the first HK$2 million profit of the qualifying group entity will be taxed at 8.25%, and profit above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to the year of assessment commencing on or after 1 April 2018.

Accordingly, the Hong Kong Profits Tax for the qualifying group entity had been calculated at 8.25% on the first HK$2 million of the estimated assessable profit and at 16.5% on the estimated assessable profit above HK$2 million.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25% during the six months ended 30 June 2021 and 2020, unless there is any applicable preferential tax treatment.

The Company's subsidiaries, Dongguan Best Pacific Textile Company Limited ("**Dongguan BPT**") and Dongguan New Horizon Elastic Fabric Company Limited ("**Dongguan NHE**"), had obtained the qualification as high and new technology enterprises since 2010 and 2016, respectively, which had been renewed for an additional three years from the year ended 31 December 2019. Hence, Dongguan BPT and Dongguan NHE were subject to the preferential tax treatment and the applicable tax rate for the six months ended 30 June 2021 and 2020 was 15%.

No dividends were received from the subsidiaries in the PRC during the six months ended 30 June 2021. Withholding tax on dividends was calculated at 5% of the dividend received from the subsidiaries in the PRC during the six months ended 30 June 2020.

Pursuant to the relevant Vietnam Enterprises Income Tax rules and regulations, the applicable tax rate for the subsidiary operating in Vietnam is 20%. The subsidiary in Vietnam is eligible for tax holiday for two financial years since the first financial year of taxable profit and tax concession at a tax rate of 10% for the following four financial years. With the new incentive in place during the year ended 31 December 2018 and by fulfilling certain stated requirements as set by the Ministry of Industry and Trade, the subsidiary in Vietnam had been eligible for tax holiday for four financial years since 2018, tax concession at a tax rate of 5% for the following nine financial years and tax concession at a tax rate of 10% for the next following two financial years.

Pursuant to the Inland Revenue Act, No. 24 of 2017 in Sri Lanka, the applicable tax rate for the subsidiaries operating in Sri Lanka is 28%. By fulfilling certain export requirements as set by the Board of Investment of Sri Lanka, the subsidiaries of the Group in Sri Lanka had enjoyed a preferential tax rate of 14% for the six months ended 30 June 2021 and 2020. In addition, one of these subsidiaries is currently eligible for tax holiday till the year ending 31 December 2024.

Taxation arising in any other jurisdiction is calculated at the rate prevailing in the relevant jurisdiction.

7. DIVIDENDS

During the current interim period, a final dividend of HK7.4 cents per ordinary share in respect of the year ended 31 December 2020 (2020: HK5.8 cents per ordinary share in respect of the year ended 31 December 2019) was declared to the shareholders of the Company. The aggregate amount of final dividend amounted to HK$76,946,000 (2019: HK$60,309,000).

Subsequent to the end of the current interim period, the directors of the Company have resolved to declare interim dividend of HK7.5 cents for the six months ended 30 June 2021.

8. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2021	30.6.2020
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic earnings per share (profit for the period attributable to owners of the Company) (HK$'000)	**175,230**	85,406
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**1,039,808,000**	1,039,808,000

No diluted earnings per share for the six months ended 30 June 2021 and 2020 was presented as there was no potential ordinary shares in issue for the six months ended 30 June 2021 and 2020.

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2021, total additions to property, plant and equipment were approximately HK$104,071,000 (for the six months ended 30 June 2020: approximately HK$132,925,000), which mainly included additions to construction in progress of approximately HK$51,888,000 (for the six months ended 30 June 2020: approximately HK$120,449,000), additions to machinery of approximately HK$18,440,000 (for the six months ended 30 June 2020: approximately HK$7,188,000) and additions to computer and office equipment and machinery of HK$19,819,000 (for the six months ended 30 June 2020: nil) arising from the acquisition of business from Textprint Lanka (Private) Limited ("**Textprint**") by Trischel Fabric (Private) Limited ("**Trischel**"), an indirect non-wholly owned subsidiary of the Company, in January 2021.

During the six months ended 30 June 2021, the Group entered into several new lease agreements with lease terms ranged from two to six years. On lease commencement, the Group recognised lease liabilities of approximately HK$16,178,000 (for the six months ended 30 June 2020: approximately HK$31,769,000) and total additions to right-of-use assets were approximately HK$16,178,000 (for the six months ended 30 June 2020: approximately HK$42,626,000), which mainly included additions of HK$8,924,000 in relation to new lease agreements, entered by the Group for the leasing of staff quarters in Hong Kong and HK$7,254,000 in relation to various new lease agreements entered by the Group for leasing of premises in Sri Lanka.

10. TRADE AND BILLS RECEIVABLES

	30.06.2021	31.12.2020
	HK$'000	HK$'000
	(unaudited)	(audited)
Trade receivables	**731,336**	806,166
Less: Allowance for credit losses	**(20,550)**	(12,669)
Net trade receivables	**710,786**	793,497
Bills receivables	**28,718**	14,401
Total trade and bills receivables	**739,504**	807,898

Trade receivables balance mainly represented receivables from customers in relation to the sale of elastic fabric, lace and elastic webbing. 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 particular month.

The following are an ageing analysis of trade receivables net of allowance for credit losses, presented based on the invoice date at the end of each reporting period, and an ageing analysis of bills receivables, presented based on the date of issuance of the bills which are outstanding as at the end of each reporting period:

	30.6.2021	31.12.2020
	HK$'000	HK$'000
	(unaudited)	(audited)
Trade receivables		
0 – 90 days	**670,459**	740,517
91 – 180 days	**32,217**	42,756
Over 180 days	**8,110**	10,224
	710,786	793,497
Bills receivables		
0 – 90 days	**28,477**	14,401
91 – 180 days	**241**	–
	28,718	14,401
	739,504	807,898

The following is the movement in the allowance for impairment in respect of trade receivables during the six months ended 30 June 2021:

	HK$'000
Balance at 1 January 2021 (audited)	**12,669**
Net remeasurement of credit loss allowance	**7,881**
Balance at 30 June 2021 (unaudited)	**20,550**

Trade receivables balances with related parties included in the Group's trade receivables balance are listed below:

	30.6.2021	31.12.2020
	HK$'000	HK$'000
	(unaudited)	(audited)
Related companies		
A related company*	**48,979**	28,599
Other related companies#	**84,187**	84,529
	133,166	113,128

* A related company controlled by close family members of directors of the Company.

\# Other related companies are fellow subsidiaries of the non-controlling shareholders who have significant influence over certain subsidiaries of the Group.

The above trade receivables balances with related companies are unsecured, interest-free and with a credit term of 30 to 90 days from the date of issuance of a monthly statement for sales delivered in that particular month. The following is an ageing analysis of trade receivables balances with related companies presented based on the invoice date at the end of each reporting period.

	30.6.2021	31.12.2020
	HK$'000	HK$'000
	(unaudited)	(audited)
0 – 90 days	**121,280**	105,273
91 – 180 days	**11,886**	7,855
	133,166	113,128

All bills received are held by the Group for future settlement of trade receivables and are with a maturity period of less than one year. The Group continues to recognise their full carrying amounts at the end of the reporting period.

11. TRADE AND BILLS PAYABLES

Trade payables

The credit period granted by the Group's creditors ranges from approximately 30 to 90 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period:

	30.6.2021	31.12.2020
	HK$'000	HK$'000
	(unaudited)	(audited)
0 – 90 days	**248,102**	229,551
91 – 180 days	**22,026**	13,499
	270,128	243,050

As at 30 June 2021, included in the Group's trade payables balance was an amount due to a joint venture of HK$23,563,000 (as at 31 December 2020: HK$19,299,000). Such balance due to a joint venture was unsecured, interest-free and with a credit term of 30 days from the date of issuance of a monthly statement for purchases delivered in that particular month. Such balance was aged within 90 days at the end of the reporting period.

Bills payables

The following is an ageing analysis of bills payables presented based on the date of issuance of bills which are outstanding as at the end of each reporting period:

	30.6.2021 HK$'000 (unaudited)	31.12.2020 HK$'000 (audited)
0 – 90 days	**183,886**	222,684
91 – 180 days	**132,484**	100,564
	316,370	323,248

12. BANK AND OTHER BORROWINGS/BANK OVERDRAFTS

	30.6.2021 HK$'000 (unaudited)	31.12.2020 HK$'000 (audited)
Bank overdrafts	**23,022**	–
Unsecured syndicated loan	**1,034,190**	1,006,673
Unsecured bank borrowings	**1,224,224**	1,234,940
Unsecured other borrowings *(Note)*	**52,514**	44,908
	2,333,950	2,286,521
Carrying amount repayable*		
Within one year	**1,284,354**	1,091,540
More than one year, but not exceeding two years	**428,342**	269,868
More than two years, but not more than five years	**621,254**	925,113
	2,333,950	2,286,521
Less: Borrowings due within one year or contain a repayment on demand clause shown under current liabilities	**(1,445,805)**	(1,313,569)
Bank overdrafts	**(23,022)**	–
Amounts shown under non-current liabilities	**865,123**	972,952
Carrying amount of bank borrowings that are repayable within one year and contain a repayment on demand clause	**1,062,773**	1,012,911
Carrying amount of bank borrowings that are repayable more than one year but contain a repayment on demand clause	**184,473**	222,029
	1,247,246	1,234,940

* The amounts due are based on scheduled repayment dates set out in the loan agreements and include the unamortised portion of the prepaid transaction cost in relation to the unsecured syndicated loan.

Note: Other borrowings represent loans from non-controlling shareholders of subsidiaries which are unsecured, carry interest at LIBOR plus 2.40% and LIBOR plus 2.15% per annum and repayable in December 2023 and January 2024. Such other borrowings were denominated in United States Dollar ("**US$**").

During the year ended 31 December 2020, the Group entered into a new facility agreement for an unsecured syndicated loan, which would be repayable by installments, from 31 December 2021 to 31 December 2023 and was with an interest rate at HIBOR plus 2.2% per annum for HK$ loan tranche and LIBOR plus 2.2% per annum for US$ loan tranche. The unsecured syndicated loan was guaranteed by the Company.

The unsecured bank borrowings and bank overdrafts were guaranteed by the Company and/or certain of its subsidiaries as at 30 June 2021 and 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Economic and investment activities began to emerge in the second half of 2020 and had carried forward to the first half of 2021. The supportive fiscal and monetary policies from governments and central banks, together with the broader 2019 novel coronavirus disease ("**COVID-19**") vaccination around the world, had returned the international markets a certain degree of stability. The global gross domestic product ("**GDP**") was forecasted to be around US$142 trillion according to the International Monetary Fund, which had increased by US$10.3 trillion as compared to that in 2020.

In line with the market recovery, we had observed a strong sales rebound since the second half of 2020 and such trend had continued for the first six months of 2021. Our sales revenue increased to approximately HK$2,076.3 million for the six months ended 30 June 2021, representing an increase of approximately 47.6% as compared to the corresponding period last year. Amidst the COVID-19 pandemic, the general public's awareness on fitness and health had increased across the world, resulting in higher consumption demands for sportswear and healthcare products, which in turn reinforced the continuous growth in our sportswear and apparel fabric business segment during the Reporting Period. The overall lukewarm lingerie market in 2020 had also been recovering in 2021 and alongside the healthy business development of our lingerie clients, the performance in our lingerie business segment had outstripped that of the pre-pandemic level.

Best Pacific had certainly been one of the pioneers and advocates in the industry who had made substantial investments in its internationalization plan. Our ability to move swiftly amid the height of the pandemic reflected the agility and resilience of our farsighted business model. Not only had this won the appreciation from our existing customers, but also attracted the interests of other eminent sportswear and apparel brands. These stronger customer tides were evident in the successful product launch in certain core programmes of various renowned partnering brands.

Our international operations

Although the sporadic suspension of operations due to the control measures to contain the pandemic had caused some disturbance to our overseas operations, the overall operations of the Group had not been affected materially during the first six months of 2021. The prior strategic investments had played a major role in delivering successful manufacturing solutions to our important customers and the agile business model facilitated an effective response to the upturn in market activities during the first half of 2021, resulting in a promising period-on-period topline growth of the Group.

According to the General Statistics Office of Vietnam, the GDP of Vietnam increased by 5.64% in the first six months of 2021 whereas according to the statistics released by the General Department of Customs of Vietnam, the export of textile and garment in Vietnam reached US$15.3 billion in first half of 2021, representing an increase by approximately 15.5% as compared to the corresponding period in 2020. International brands have continued to show their keen interests in our production capacities in Vietnam and our operation in Vietnam had shown both a healthy growth impetus and financial performance during the first six months of 2021. On the other hand, the textile and apparel industries in Sri Lanka were negatively impacted by the outbreak of COVID-19 in 2020. Subsequent to the gradual market reopening since the second half of 2020, we have seen an uptake of the business momentum in Sri Lanka. Considerable management efforts had been spent in capacity utilization in our operations in Sri Lanka and improvement of their profitability was observed as a result of economies of scale towards the later part of the Reporting Period.

Commodity prices had generally been on the rise since the second half of 2020. The crude oil price, as well as the market prices of many oil by-products and chemical raw materials, had soared since the fourth quarter of 2020 and reached their historical peaks by mid-2021. The upsurge in raw material costs during the first six months of 2021 and the rising staff costs across our different manufacturing locations certainly added weight to our overall production costs and undermined our profitability to a certain extent. We strived our best to digest these costs pressures through a combination of measures which included but not limited to further optimization of our production efficiency, more stringent wastage control and the exploration with our customers and partnering brands on the possibilities of product price adjustments.

FINANCIAL PERFORMANCE

During the Reporting Period, our revenue from sales of elastic fabric increased by approximately 45.1% to approximately HK$1,544.2 million, and the revenue from sales of elastic webbing and sales of lace increased by approximately 63.1% and approximately 2.5%, to approximately HK$488.4 million and approximately HK$43.7 million, respectively. Our sportswear and apparel fabric business segment continued to register an encouraging growth, with the revenue from the segment hitting another record period high of approximately HK$983.4 million during the Reporting Period, representing an increase of approximately 54.0%, as compared to the corresponding period in 2020.

During the Reporting Period, the increase in orders received from customers had improved the overall utilization of our production capacities. The Group's gross profit for the Reporting Period amounted to approximately HK$507.0 million, representing an increase of approximately 48.4% as compared to the six months ended 30 June 2020. The Group's gross profit margin increased by approximately 0.1 percentage point to approximately 24.4%, as compared to the six months ended 30 June 2020. With the overall increase in revenue and better economies of scale, the Group recorded a net profit margin of approximately 8.1% for the Reporting Period, representing an increase of approximately 2.6 percentage points as compared to the six months ended 30 June 2020.

The profit attributable to owners of the Company amounted to approximately HK$175.2 million for the Reporting Period, representing an increase of approximately 105.2%, as compared to the six months ended 30 June 2020.

Basic earnings per share was approximately HK16.85 cents for the Reporting Period, representing an increase of approximately 105.2% from approximately HK8.21 cents for the six months ended 30 June 2020.

FINANCIAL REVIEW

Revenue

The Group's revenue is primarily derived from the sales of its major products, including elastic fabric, lace and elastic webbing.

For the six months ended 30 June 2021, revenue amounted to approximately HK$2,076.3 million, representing an increase of approximately HK$669.6 million, or approximately 47.6%, from approximately HK$1,406.7 million for the six months ended 30 June 2020. The increase in overall revenue during the Reporting Period was mainly attributable to the increase in the volume of products sold, as a result of the rebounded sales orders from our lingerie customers and the continued growth in sales orders with our sportswear and apparel clients.

A comparison of the Group's revenue for the six months ended 30 June 2021 and the six months ended 30 June 2020 by product categories is as follows:

	Six months ended 30 June					
	2021		2020		Change	
	Revenue (HK$'000)	**% of Revenue**	Revenue (HK$'000)	% of Revenue	(HK$'000)	%
Elastic fabric	**1,544,161**	**74.4**	1,064,511	75.7	479,650	45.1
– Sportswear and apparel	***983,409***	***47.4***	*638,677*	*45.4*	*344,732*	*54.0*
– Lingerie	***560,752***	***27.0***	*425,834*	*30.3*	*134,918*	*31.7*
Elastic webbing	**488,423**	**23.5**	299,499	21.3	188,924	63.1
Lace	**43,688**	**2.1**	42,641	3.0	1,047	2.5
Total	**2,076,272**	**100.0**	1,406,651	100.0	669,621	47.6

The main contributors to the overall increase in the Group's revenue in the first half of 2021 were elastic fabric and elastic webbing business segments.

For the six months ended 30 June 2021, revenue from the sales of elastic fabric amounted to approximately HK$1,544.2 million, representing an increase of approximately HK$479.7 million, or approximately 45.1%, as compared to the six months ended 30 June 2020. Leveraging on the Group's high product quality, strong innovation and research and development capabilities, as well as the multi-regional production advantage, the Group had successfully entered into certain core programmes with some new partnering brands in the sportswear and apparel business segment. The Group had recorded a period-on-period growth of approximately 54.0% in sales revenue of sportswear and apparel fabric materials. On the other hand, the lingerie market had also been recovering and we recorded a period-on-period increase of approximately 31.7% in sales revenue of lingerie fabric materials.

Revenue from the sales of elastic webbing amounted to approximately HK$488.4 million during the Reporting Period, representing an increase of approximately HK$188.9 million, or approximately 63.1%, as compared to the six months ended 30 June 2020. The recovery of the lingerie and apparel markets during the Reporting Period had resulted in an increase in the volume sold, as compared to the corresponding period in 2020.

Cost of sales

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

Cost of sales – by nature of expenses

	Six months ended 30 June					
	2021		2020		Change	
	(HK$'000)	**%**	(HK$'000)	%	(HK$'000)	%
Raw materials	**746,355**	**47.6**	522,780	49.1	223,575	42.8
Manufacturing overheads	**620,141**	**39.5**	412,249	38.7	207,892	50.4
Direct labour	**191,841**	**12.2**	120,789	11.3	71,052	58.8
Others	**10,900**	**0.7**	9,226	0.9	1,674	18.1
Total	**1,569,237**	**100.0**	1,065,044	100.0	504,193	47.3

The Group's cost of sales for the six months ended 30 June 2021 amounted to approximately HK$1,569.2 million, representing an increase of approximately HK$504.2 million or approximately 47.3%, as compared to the six months ended 30 June 2020. The increase in the cost of sales was primarily due to the increase in overall sales volume. The relatively larger increase in manufacturing overheads and direct labour costs as compared to the corresponding period in 2020 was mainly due to larger increase in certain manufacturing overheads which included higher unit cost in utilities and outsourcing costs, as well as improved employee benefits and increased headcounts respectively.

Cost of sales – by product category

	Six months ended 30 June					
	2021		2020		Change	
	(HK$'000)	**%**	(HK$'000)	%	(HK$'000)	%
Elastic fabric	**1,206,715**	**76.9**	826,254	77.6	380,461	46.0
Elastic webbing	**336,161**	**21.4**	214,018	20.1	122,143	57.1
Lace	**26,361**	**1.7**	24,772	2.3	1,589	6.4
Total	**1,569,237**	**100.0**	1,065,044	100.0	504,193	47.3

The increase in cost of sales of various business segments was generally in line with the increase in revenue of the corresponding business segments.

Gross profit, gross profit margin and net profit margin

	Six months ended 30 June			
	2021		2020	
	Gross profit (HK$'000)	**Gross profit margin %**	Gross profit (HK$'000)	Gross profit margin %
Elastic fabric	**337,446**	**21.9**	238,257	22.4
Elastic webbing	**152,262**	**31.2**	85,481	28.5
Lace	**17,327**	**39.7**	17,869	41.9
Overall	**507,035**	**24.4**	341,607	24.3

The Group had maintained a relatively stable overall gross profit margin and the overall gross profit increased from approximately HK$341.6 million for the six months ended 30 June 2020 to approximately HK$507.0 million for the six months ended 30 June 2021.

Net profit for the six months ended 30 June 2021 of the Group amounted to approximately HK$168.7 million, representing an increase of approximately 118.6% as compared to approximately HK$77.2 million for the six months ended 30 June 2020. The Group recorded an improved net profit margin of approximately 8.1% for the six months ended 30 June 2021, as compared to approximately 5.5% for the six months ended 30 June 2020. The improvement in the net profit margin for the six months ended 30 June 2021 was mainly due to (i) overall increase in the volume of products sold; and (ii) the positive impacts from better economies of business scale during the Reporting Period.

Other income

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

	Six months ended 30 June	
	2021	2020
	(HK$'000)	(HK$'000)
Bank interest income	**10,455**	4,055
Government grants	**6,984**	2,886
Net proceeds from sales of scrap materials	**2,462**	2,936
Others	**3,031**	3,288
Total	**22,932**	13,165

The increase in other income by approximately 73.5%, from approximately HK$13.2 million for the six months ended 30 June 2020 to approximately HK$22.9 million for the six months ended 30 June 2021, was mainly driven by the increase in bank interest income, as a result of the improved liquidity position of the Group, and government grants received during the Reporting Period.

Net remeasurement of credit loss allowance for trade receivables

Net remeasurement of credit loss allowance for trade receivables represented the result of impairment assessment under expected credit loss model on trade receivables. As compared to the corresponding period in 2020 and subsequent to the stabilization of the pandemic situation, the net remeasurement of credit loss allowance for trade receivables had improved for the six months ended 30 June 2021. The negative amount for the Reporting Period was mainly attributable to the provision made against few specific customers.

Selling and distribution expenses

Selling and distribution expenses primarily consisted of employee benefit expenses, transportation, marketing and promotional expenses and other selling and distribution expenses. For the six months ended 30 June 2020 and 2021, the Group's selling and distribution expenses represented approximately 4.9% and approximately 4.7% of its total revenue, respectively. The decrease in ratio of selling and distribution expenses against total revenue was mainly due to the economies of business scale achieved during the Reporting Period.

Administrative expenses

Administrative expenses primarily consisted of employee benefit expenses, depreciation, motor vehicle expenses, bank charges and other administrative expenses. For the six months ended 30 June 2020 and 2021, the Group's administrative expenses represented approximately 7.7% and approximately 7.4% of its total revenue, respectively. The decrease in ratio of administrative expenses against total revenue was mainly due to the economies of business scale achieved during the Reporting Period.

Research and development costs

The Group is dedicated to catering to the changing market preferences by introducing innovative lingerie, sportswear and apparel materials. For the six months ended 30 June 2020 and 2021, our research and development costs represented approximately 2.5% and approximately 2.4% of the revenue of the Group, respectively.

Finance costs

The Group's finance costs mainly represented interest expenses for bank and other borrowings and lease liabilities. The finance costs decreased by approximately 33.9% from approximately HK$41.6 million for the six months ended 30 June 2020 to approximately HK$27.5 million for the six months ended 30 June 2021. The decrease in finance costs during the Reporting Period was primarily due to lower average borrowings during the Reporting Period and the decrease in overall market interest rate as compared to the corresponding period in 2020.

Income tax expense

Under the two-tiered profits tax rates regime passed by the Hong Kong Legislative Council in March 2018, the first HK$2 million profit of the qualifying group entity will be taxed at 8.25%, and profit above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to the year of assessment commencing on or after 1 April 2018.

Accordingly, the Hong Kong Profits Tax for the qualifying group entity had been calculated at 8.25% on the first HK$2 million of the estimated assessable profit and at 16.5% on the estimated assessable profit above HK$2 million.

Under the Law of the PRC on the EIT Law and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25% for six months ended 30 Jun 2020 and 2021, unless there is any applicable preferential tax treatment.

The Company's subsidiaries, Dongguan BPT and Dongguan NHE, had obtained the qualification as high and new technology enterprises since 2010 and 2016, respectively, which had been renewed for an additional three years from the year ended 31 December 2019. Hence, Dongguan BPT and Dongguan NHE were subject to the preferential tax treatment, the applicable tax rate for which for the six months ended 30 June 2020 and 2021 was 15%.

No dividends were received from the subsidiaries in the PRC during the six months ended 30 June 2021. Withholding tax on dividends was calculated at 5% of the dividend received from the subsidiaries in the PRC during the six months ended 30 June 2020.

Pursuant to the relevant Vietnam Enterprises Income Tax rules and regulations, the applicable tax rate for the subsidiary operating in Vietnam is 20%. The subsidiary in Vietnam is eligible for tax holiday for two financial years since the first financial year of taxable profit and tax concession at a tax rate of 10% for the following four financial years. With the new incentive in place during the year ended 31 December 2018 and by fulfilling certain stated requirements as set by the Ministry of Industry and Trade of Vietnam, the subsidiary in Vietnam had been eligible for tax holiday for four financial years since 2018, tax concession at a tax rate of 5% for the following nine financial years and tax concession at a tax rate of 10% for the next following two financial years.

Pursuant to the Inland Revenue Act, No. 24 of 2017 in Sri Lanka, the applicable tax rate for the subsidiaries operating in Sri Lanka is 28%. By fulfilling certain export requirements as set by the Board of Investment of Sri Lanka, the subsidiaries of the Group in Sri Lanka had enjoyed a preferential tax rate of 14% for the six months ended 30 June 2020 and 2021. In addition, one of these subsidiaries is currently eligible for tax holiday till the year ending 31 December 2024.

Taxation arising in any other jurisdiction is calculated at the rate prevailing in the relevant jurisdiction.

The effective tax rate was approximately 11.3% and approximately 13.6% for the six months ended 30 June 2020 and 2021, respectively. The increase in the effective tax rate was mainly due to the increase in assessable profits of operations at a jurisdiction with higher profits tax rate during the Reporting Period.

Liquidity, financial resources and bank borrowings

As at 30 June 2021, net working capital (calculated as current assets less current liabilities) was approximately HK$862.5 million, representing an increase of approximately HK$68.2 million as compared to approximately HK$794.3 million as at 31 December 2020. The current ratio (calculated as current assets/current liabilities) is 1.3 times as at 30 June 2021, as compared to 1.4 times as at 31 December 2020.

As a result of the sustainable financial performance of the Group, we had maintained a relatively strong cashflow position. Comparing to 31 December 2020, bank balances and cash of the Group as at 30 June 2021 had increased by approximately HK$179.3 million to approximately HK$1,272.2 million.

For the six months ended 30 June 2021, net cash generated from operating activities was approximately HK$255.9 million, as compared to approximately HK$287.4 million for the six months ended 30 June 2020. The decrease was mainly due to increase in inventory level to cater for higher overall sales and the rising purchase costs for raw materials.

Net cash used in investing activities amounted to approximately HK$97.0 million for the six months ended 30 June 2021, as compared to approximately HK$13.5 million for the six months ended 30 June 2020. As compared to a more conservative capital investment strategy implemented in time of COVID-19 pandemic during the six months ended 30 June 2020, the increase in net cash used in investing activities was mainly due to more investments being spent on the purchase of property, plant and equipment for the six months ended 30 June 2021, in order to cope with the Group's overall business expansion. Besides, payment was made for acquisition of business from Textprint by Trischel, which was announced by the Company on 29 January 2021, and more pledged bank deposits were placed in the Reporting Period.

For the six months ended 30 June 2021, net cash used in financing activities amounted to approximately HK$13.6 million, as compared to approximately HK$29.2 million for the six months ended 30 June 2020. The cash used in financing activities for the six months ended 30 June 2021 was mainly used for the repayment of bank borrowings and interests during the Reporting Period.

As at 30 June 2021, the Group's net gearing ratio was approximately 31.1% (as at 31 December 2020: approximately 36.7%), which was calculated on the basis of the amount of net debt position (sum of total bank and other borrowings and bank overdrafts, less bank deposits and bank balances and cash) as a percentage of total equity. The Group was in a net debt position of approximately HK$979.1 million as at 30 June 2021, as compared to approximately HK$1,107.4 million as at 31 December 2020.

Working capital management

As a result of a more punctual settlement of payments by our customers in general, the trade and bills receivables turnover days was approximately 67.4 days for the six months ended 30 June 2021, as compared to approximately 81.8 days for the year ended 31 December 2020. The inventory turnover days was approximately 120.9 days for the six months ended 30 June 2021, as compared to approximately 137.2 days for the year ended 31 December 2020. The decrease in inventory turnover days was primarily due to better inventory control by the Group. On the other hand, the trade and bills payables turnover days was approximately 66.5 days for the six months ended 30 June 2021, as compared to approximately 82.8 days for the year ended 31 December 2020. The decrease in trade and bills payables turnover days was primarily due to the increase in use of cash to settle transactions for the benefits of better prices.

Capital expenditures

For the six months ended 30 June 2021, total additions to property, plant and equipment amounted to approximately HK$104.1 million (for the six months ended 30 June 2020: approximately HK$132.9 million), which was mainly attributed to the additions to construction in progress of approximately HK$51.9 million (for the six months ended 30 June 2020: approximately HK$120.4 million) and the additions to machinery of approximately HK$18.4 million (for the six months ended 30 June 2020: approximately HK$7.2 million), in order to cope with the Group's overall business expansion. Besides, payment was made for the acquisition of business from Textprint by Trischel in January 2021. The assets acquired included computer and office equipment and machinery amounted to approximately HK$19.8 million.

Pledge of assets

As at 30 June 2021, the Group pledged bank deposits of approximately HK$82.6 million (as at 31 December 2020: approximately HK$77.9 million) to secure the bills payables issued by the Group in connection with its trade transactions.

Foreign exchange risk

A substantial portion of the Group's revenue is denominated in US$ and HK$ and a portion of its purchases and expenses are denominated in RMB, Vietnam Dong and Sri Lanka Rupee. The Group manages its foreign exchange risk by performing regular reviews and monitoring its foreign exchange exposure. Our finance department monitors our foreign exchange risk on a continuous basis by analysing our domestic and overseas sales orders on hand, expected domestic and overseas orders from customers and estimated foreign currency payments for our purchases and expenses. We intend to manage our foreign exchange risks by (i) managing our sales, purchases and expenses denominated in HK$ and RMB through our subsidiaries in Hong Kong and the PRC, respectively, managing our sales, purchases and expenses denominated in US$ through our subsidiaries in Hong Kong, Vietnam and Sri Lanka, and managing our purchases and expenses denominated in Vietnam Dong and Sri Lanka Rupee through our subsidiaries in Vietnam and Sri Lanka, respectively; and (ii) holding cash and bank deposits denominated in HK$ primarily by the Company and its subsidiaries in Hong Kong, holding cash and bank deposits denominated in US$ primarily by the Company and its subsidiaries in Hong Kong, Vietnam and Sri Lanka, and holding cash and bank deposits denominated in RMB, Vietnam Dong and Sri Lanka Rupee primarily by our subsidiaries in the PRC, Vietnam and Sri Lanka, respectively.

Contingent liabilities

As at 30 June 2021, the Group did not have any significant contingent liabilities.

Employees and remuneration policies

The Group's remuneration packages include salary, bonuses, allowances and retirement benefits based on employee's performance, skills and knowledge. The Group also provides additional benefits to its employees that include subsidised accommodation, meals, accident and medical insurance and share options granted to eligible employees under the share option scheme of the Company from time to time.

During the six months ended 30 June 2021, the Group had introduced additional performance based incentive schemes with salary payment not exceeding 10% of the base salary to be paid monthly to employees if the Group accomplished the monthly key performance indicators. Other than that, there had been no significant change in the Group's remuneration policy. The Group will continue to provide regular training and competitive remuneration packages to its staff.

As at 30 June 2021, the Group employed a total of 8,662 full-time employees (as at 31 December 2020: 7,825). The increase in the number of employees was mainly due to the resumption of the staff recruitment activities of the Group since the second half of 2020 in order to cope with the overall Group's expansion.

FUTURE STRATEGIES AND PROSPECTS

According to the Bureau of Economic Analysis of the United States of America (the "**U.S.**"), the real GDP of the U.S. recorded a continued growth of 4.3%, 6.3% and 6.5% in the fourth quarter of 2020, the first quarter and the second quarter of 2021 respectively. The positive statistics revealed that the global economy is undergoing an encouraging recovery. Nevertheless, the sustainability in economic recovery across the world is dependent on a complex combination of factors, including but not limited to the geopolitical tension between the superpowers, the pandemic situation as well as the ability of the international communities to contain the emergence and spread of the new Delta variant. With the recent resurgence of COVID-19 in certain Southeast Asian countries and the associated disruption in the Group's operational efficiencies, the overall sales of the Group in the second half of 2021 may be affected to a certain extent. Nevertheless, we are posed to maintain our agility across our international manufacturing bases, so as to reduce the relevant operational risks.

Despite these unforeseeable challenges, governments around the world continue with the initiatives to restore their economies and market confidence to the pre-pandemic level. Following the launch of global vaccination campaigns and the current athleisure trend, we expect the consumption demand will remain strong throughout the second half of this year. By leveraging on the Group's strong innovation and research and development capabilities, Best Pacific will keep abreast of the athleisure market and further penetrate into the sportswear and apparel business segment. We will continue to differentiate ourselves from our market peers and uphold our core value "Built on Innovation and Technology" to satisfy our rising customers' demand for innovative apparel products.

According to the National Bureau of Statistics of the PRC, the GDP of the PRC recorded an increase by 12.7% in the first six months of 2021, as compared to the same period in 2020. Albeit the volatility in some individual local areas, the pandemic situation is largely under control at the moment. With the growing health consciousness of the general public, Best Pacific will continue to devote resources to seize the vast potentials in the consumer market in the PRC.

As at 30 June 2021, the overall annual designed production capacities of elastic fabric, elastic webbing and lace of the Group were approximately 226.2 million meters, 1,873.1 million meters and 45.0 million meters, respectively. We are generally optimistic about our future business development given that we have generated strong momentum behind our growth and internationalization plans. Unlike the rather conservative investment approach implemented in the pandemic times last year, we are prepared to take a more proactive approach in exploring the feasibility of further capacity expansion in both the PRC and overseas. We will also keep a close eye on various factors affecting our profitability and implement relevant measures as and when appropriate.

None of the achievements in the first half of 2021 would have been possible without the hard work and commitments from our staff and colleagues. Best Pacific strongly believes that the continuous strategic investments in people and capacity expansion will underpin the Group's long-term sustainability, thereby ensuring its ability to maximise value for its shareholders in the long run.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2021.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the three independent non-executive Directors (being Mr. Cheung Yat Ming, Mr. Ding Baoshan and Mr. Kuo Dah Chih, Stanford), has reviewed with the management the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 and the internal control procedures of the Group, and has discussed the relevant financial reporting matters.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated results of the Group for the six months ended 30 June 2021 have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, by Deloitte Touche Tohmatsu, certified public accountants and registered public interest entity auditors in Hong Kong, and the Audit Committee of the Company has no disagreement.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK7.5 cents per ordinary share of the Company for the six months ended 30 June 2021 (the "**Interim Dividend**"). The Interim Dividend is expected to be paid on or before Tuesday, 30 November 2021 to all shareholders whose names appear on the register of members of the Company on Tuesday, 16 November 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 11 November 2021 to Tuesday, 16 November 2021 (both days inclusive) for the purpose of determining the entitlement to the Interim Dividend. In order to be qualified for the Interim Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 10 November 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is of the view that throughout the six months ended 30 June 2021, the Company had complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

APPRECIATION

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

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

Hong Kong, 26 August 2021

As at the date of this announcement, the Board comprises Mr. Lu Yuguang, Mr. Zhang Haitao, Mr. Wu Shaolun, Ms. Zheng Tingting, Mr. Chan Yiu Sing, Mr. Lu Libin, Mr. Cheung Yat Ming, Mr. Ding Baoshan* and Mr. Kuo Dah Chih, Stanford*.*

* *Independent non-executive Director*