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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 2021

HIGHLIGHTS

- The Group's revenue for the year ended 31 December 2021 amounted to approximately HK\$4,792.7 million, representing an increase of approximately 37.2% when compared to the year ended 31 December 2020.

Sales revenue of sportswear and apparel fabric materials recorded a year-on-year growth of approximately 43.8%.

- Gross profit margin of the Group remained relatively stable at approximately 23.2% for the year ended 31 December 2021 (for the year ended 31 December 2020: approximately 24.1%).
- The Group recorded a net profit margin of approximately 8.4% for the year ended 31 December 2021, representing an increase of approximately 1.3 percentage points, as compared to the year ended 31 December 2020.
- Profit attributable to owners of the Company amounted to approximately HK\$401.8 million, representing an increase of approximately 55.9%, as compared to the year ended 31 December 2020.
- Basic earnings per share was approximately HK38.64 cents for the year ended 31 December 2021, representing an increase of approximately 55.9% from approximately HK24.79 cents for the year ended 31 December 2020.
- Proposed to declare a final dividend of HK11.8 cents per share in respect of the year ended 31 December 2021 (2020: HK7.4 cents).

The board (the “**Board**”) of directors (the “**Directors**”) 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 2021, together with the comparative figures for the year ended 31 December 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	4,792,661	3,494,274
Cost of sales		(3,680,829)	(2,650,914)
Gross profit		1,111,832	843,360
Other income		50,694	43,806
Other gains and losses		1,906	(25,717)
Impairment losses under expected credit loss model, net of reversal		(11,967)	(6,282)
Selling and distribution expenses		(202,647)	(156,484)
Administrative expenses		(336,170)	(253,866)
Research and development costs		(99,205)	(81,134)
Share of result of a joint venture		3,906	1,983
Finance costs		(61,732)	(75,700)
Profit before taxation	5	456,617	289,966
Income tax expense	6	(55,271)	(40,773)
Profit for the year		<u>401,346</u>	<u>249,193</u>
Profit (loss) for the year attributable to			
– Owners of the Company		401,794	257,769
– Non-controlling interests		(448)	(8,576)
		<u>401,346</u>	<u>249,193</u>
Earnings per share	8		
– Basic (HK cents)		<u>38.64</u>	<u>24.79</u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year	401,346	249,193
Other comprehensive income (expense):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	98,201	204,146
Share of translation reserve of a joint venture	918	1,360
Items that will not be reclassified to profit or loss:		
Remeasurement of retirement benefit obligations, net of tax	1,887	(842)
Other comprehensive income for the year	101,006	204,664
Total comprehensive income for the year	502,352	453,857
Total comprehensive income (expense) for the year attributable to		
– Owners of the Company	502,086	462,717
– Non-controlling interests	266	(8,860)
	502,352	453,857

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		2,925,355	2,970,302
Right-of-use assets		350,376	272,109
Interest in a joint venture		38,669	34,751
Deposits		58,349	25,668
Deferred tax assets		5,576	5,387
		<u>3,378,325</u>	<u>3,308,217</u>
Current assets			
Inventories		1,456,797	922,301
Trade and bills receivables	9	849,430	807,898
Other receivables, deposits and prepayments		128,194	98,521
Tax recoverables		4,783	10,773
Pledged bank deposits		121,607	77,944
Short term bank deposits		163,814	8,338
Bank balances and cash		898,868	1,092,855
		<u>3,623,493</u>	<u>3,018,630</u>
Current liabilities			
Trade payables	10	370,193	243,050
Bills payables	10	444,038	323,248
Other payables and accrued charges		357,062	280,981
Contract liabilities		34,855	33,267
Bank borrowings	11	1,511,615	1,313,569
Lease liabilities		42,743	13,485
Tax payables		46,745	15,351
Derivative financial instrument		1,092	1,402
		<u>2,808,343</u>	<u>2,224,353</u>
Net current assets		<u>815,150</u>	<u>794,277</u>
Total assets less current liabilities		<u>4,193,475</u>	<u>4,102,494</u>

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Non-current liabilities			
Bank and other borrowings	<i>11</i>	648,789	972,952
Lease liabilities		128,972	76,647
Deferred income		15,390	16,340
Deferred tax liabilities		9,698	5,758
Retirement benefit obligations		9,789	9,060
Other liabilities		7,591	3,556
		<u>820,229</u>	<u>1,084,313</u>
Net assets		<u>3,373,246</u>	<u>3,018,181</u>
Capital and reserves			
Share capital	<i>12</i>	10,398	10,398
Reserves		3,271,060	2,923,905
		<u>3,281,458</u>	<u>2,934,303</u>
Equity attributable to owners of the Company		3,281,458	2,934,303
Non-controlling interests		91,788	83,878
		<u>3,373,246</u>	<u>3,018,181</u>
Total equity		<u>3,373,246</u>	<u>3,018,181</u>

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

For the year ended 31 December 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 principal activities of the Company and its subsidiaries are manufacturing and trading of elastic fabric, lace and elastic webbing.

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 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 the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board ("**Agenda Decision**") issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The application of the amendments to HKFRSs and Agenda Decision in the current year had no material impact on financial position or performance of the Group for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

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

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets and financial liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures ("**HKFRS 7**").

As at 1 January 2021, the Group has several bank and other borrowings, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The following table shows the total amounts of these outstanding contracts. The amounts of bank and other borrowings are 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	1,427,178	859,343

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank and other borrowings measured at amortised cost.

3. 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. Revenue from manufacturing and trading of elastic fabric, lace and elastic webbing are recognised at a point in time.

Disaggregation of revenue from contracts with customers

For the year ended 31 December 2021

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	2,438,897	–	2,438,897
– Lingerie	1,183,780	–	1,183,780
	3,622,677	–	3,622,677
Lace	89,784	–	89,784
Elastic webbing	–	1,080,200	1,080,200
	3,712,461	1,080,200	4,792,661

For the year ended 31 December 2020

Types of goods	Manufacturing and trading of elastic fabric and lace <i>HK\$'000</i>	Manufacturing and trading of elastic webbing <i>HK\$'000</i>	Total <i>HK\$'000</i>
Sales of products			
Elastic Fabric			
– Sportswear and apparel	1,696,016	–	1,696,016
– Lingerie	964,910	–	964,910
	<u>2,660,926</u>	<u>–</u>	<u>2,660,926</u>
Lace	84,323	–	84,323
Elastic webbing	–	749,025	749,025
	<u>2,745,249</u>	<u>749,025</u>	<u>3,494,274</u>

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 *Operating Segments* 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 year ended 31 December 2021

	Manufacturing and trading of elastic fabric and lace <i>HK\$'000</i>	Manufacturing and trading of elastic webbing <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue from external customers	<u>3,712,461</u>	<u>1,080,200</u>	<u>4,792,661</u>
Segment gross profit	<u>763,743</u>	<u>348,089</u>	<u>1,111,832</u>
Segment profit	<u>327,072</u>	<u>207,991</u>	535,063
Unallocated other income			27,542
Unallocated other gains and losses			2,041
Unallocated corporate expenses			(50,203)
Share of result of a joint venture			3,906
Finance costs			<u>(61,732)</u>
Profit before taxation			<u>456,617</u>

For the year ended 31 December 2020

	Manufacturing and trading of elastic fabric and lace <i>HK\$'000</i>	Manufacturing and trading of elastic webbing <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue from external customers	<u>2,745,249</u>	<u>749,025</u>	<u>3,494,274</u>
Segment gross profit	<u>604,626</u>	<u>238,734</u>	<u>843,360</u>
Segment profits	<u>257,878</u>	<u>144,798</u>	402,676
Unallocated other income			13,576
Unallocated other gains and losses			(25,642)
Unallocated corporate expenses			(26,927)
Share of result of a joint venture			1,983
Finance costs			<u>(75,700)</u>
Profit before taxation			<u>289,966</u>

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, change in fair value of a derivative financial instrument, net foreign exchange gain (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 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 2021

	Manufacturing and trading of elastic fabric and lace <i>HK\$'000</i>	Manufacturing and trading of elastic webbing <i>HK\$'000</i>	Total <i>HK\$'000</i>
ASSETS			
Segment assets	<u>4,926,126</u>	<u>787,685</u>	5,713,811
Property, plant and equipment			6,054
Right-of-use assets			18,595
Interest in a joint venture			38,669
Deferred tax assets			5,576
Other receivables, deposits and prepayments			30,041
Tax recoverables			4,783
Pledged bank deposits			121,607
Short term bank deposits			163,814
Bank balances and cash			<u>898,868</u>
Total assets			<u>7,001,818</u>
LIABILITIES			
Segment liabilities	<u>1,062,375</u>	<u>281,469</u>	1,343,844
Other payables and accrued charges			46,581
Bank and other borrowings			2,160,404
Lease liabilities			20,208
Tax payables			46,745
Deferred tax liabilities			9,698
Derivative financial instrument			<u>1,092</u>
Total liabilities			<u>3,628,572</u>

As at 31 December 2020

	Manufacturing and trading of elastic fabric and lace <i>HK\$'000</i>	Manufacturing and trading of elastic webbing <i>HK\$'000</i>	Total <i>HK\$'000</i>
ASSETS			
Segment assets	<u>4,372,162</u>	<u>678,550</u>	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			<u>1,092,855</u>
Total assets			<u>6,326,847</u>
LIABILITIES			
Segment liabilities	<u>756,218</u>	<u>203,552</u>	959,770
Other payables and accrued charges			25,713
Bank and other borrowings			2,286,521
Lease liabilities			14,151
Tax payables			15,351
Deferred tax liabilities			5,758
Derivative financial instrument			<u>1,402</u>
Total liabilities			<u>3,308,666</u>

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

Other segment information

For the year ended 31 December 2021

	Manufacturing and trading of elastic fabric and lace <i>HK\$'000</i>	Manufacturing and trading of elastic webbing <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or segment assets:				
Additions of property, plant and equipment	191,828	33,151	5,650	230,629
Additions of right-of-use assets	93,229	4,324	8,924	106,477
Depreciation of property, plant and equipment	267,666	64,583	1,723	333,972
Depreciation of right-of-use assets	19,741	6,637	4,311	30,689
Impairment losses under expected credit loss model, net of reversal	11,204	763	–	11,967
Allowance for slow-moving inventories	33,940	1,211	–	35,151
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 31 December 2020

	Manufacturing and trading of elastic fabric and lace <i>HK\$'000</i>	Manufacturing and trading of elastic webbing <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or segment assets:				
Additions of property, plant and equipment	253,320	34,697	2,876	290,893
Additions of right-of-use assets	10,240	18,300	15,131	43,671
Depreciation of property, plant and equipment	243,484	64,943	301	308,728
Depreciation of right-of-use assets	15,125	5,842	2,321	23,288
Impairment losses under expected credit loss model, net of reversal	4,114	2,168	–	6,282
Allowance for slow-moving inventories	22,284	2,004	–	24,288
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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 Mainland China, Hong Kong, Vietnam, Sri Lanka and the United States of America (the "U.S."). The Group's revenue from external customers based on the location of the customers are detailed below:

	Year ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	989,605	774,633
Mainland China	961,213	754,424
Sri Lanka	909,576	542,144
Vietnam	423,498	332,264
South Korea	328,232	177,954
Taiwan	322,406	246,466
Indonesia	157,547	84,267
Macau	136,328	86,184
Bangladesh	113,473	69,670
Others	450,783	426,268
	<u>4,792,661</u>	<u>3,494,274</u>

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

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mainland China	1,822,655	1,759,666
Vietnam	883,533	925,058
Sri Lanka	606,209	592,042
Hong Kong	35,208	23,088
	<u>3,347,605</u>	<u>3,299,854</u>

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group for the years ended 31 December 2021 and 2020 are as follows:

	Year ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from manufacturing and trading of elastic fabric and lace		
– customer A	441,546	396,363
– customer B	616,527	400,151
Revenue from manufacturing and trading of elastic webbing		
– customer A	112,103	79,779
– customer B	54,479	25,560
	<u>1,224,655</u>	<u>891,853</u>

5. PROFIT BEFORE TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Auditors' remuneration	2,510	2,437
Staff costs		
Directors' remuneration	37,243	23,304
Other staff costs		
– salaries and other benefits	820,997	605,392
– contributions to retirement benefits schemes	60,464	32,347
	918,704	661,043
Depreciation of property, plant and equipment	333,972	308,728
Depreciation of right-of-use assets	30,689	23,288
Depreciation capitalised in inventories	(288,210)	(269,337)
	76,451	62,679
Cost of inventories recognised as an expense	3,680,829	2,650,914

6. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	34,724	6,814
The PRC Enterprise Income Tax ("EIT")	13,965	24,551
Withholding tax on dividends from subsidiaries	943	8,147
Income tax in other jurisdictions	193	60
Under provision in prior years:		
Hong Kong Profits Tax	1,783	3,021
The PRC EIT	784	533
	52,392	43,126
Deferred taxation	2,879	(2,353)
	55,271	40,773

Under the two-tiered profits tax rates regime of the Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits 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%. 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 profits and at 16.5% on the estimated assessable profits 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% for both years ended 31 December 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 were renewed for an additional three years from the year ended 31 December 2019. Hence, Dongguan BPT and Dongguan NHE had been subject to the preferential tax treatment and the applicable tax rate for the years ended 31 December 2021 and 2020 was 15%.

Withholding tax on dividends was calculated at 5% of the estimated dividends to be received from the subsidiaries in the PRC during the year.

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 a tax holiday for two financial years since the first financial year of taxable profits and a 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 a tax holiday for four financial years since 2018, a tax concession at a tax rate of 5% for the following nine financial years and a tax concession at a tax rate of 10% for the next following two financial years.

Pursuant to the Inland Revenue (Amendment) Act, No. 10 of 2021 in Sri Lanka, the applicable tax rate for the subsidiaries operating in Sri Lanka is 24% for both years ended 31 December 2021 and 2020. 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 years ended 31 December 2021 and 2020. In addition, one of these subsidiaries is currently eligible for a 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2021 Interim dividend – HK7.5 cents (2020: nil) per share	77,985	–
2020 Final dividend – HK7.4 cents (2020: 2019 Final dividend HK5.8 cents) per share	<u>76,946</u>	<u>60,309</u>
	<u>154,931</u>	<u>60,309</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of HK11.8 cents per ordinary share (approximately HK\$122.7 million in aggregate) 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:

	2021	2020
Earnings		
Earnings for the purposes of the basic earnings per share (profit for the year attributable to owners of the Company) (HK\$'000)	<u>401,794</u>	<u>257,769</u>
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	<u>1,039,808,000</u>	<u>1,039,808,000</u>

No diluted earnings per share for both years ended 31 December 2021 and 2020 were presented as there was no potential ordinary shares in issue for both years.

9. TRADE AND BILLS RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	845,799	806,166
Less: Allowance for credit losses	<u>(24,636)</u>	<u>(12,669)</u>
Total trade receivables	821,163	793,497
Bills receivables	<u>28,267</u>	<u>14,401</u>
Total trade and bills receivables	<u>849,430</u>	<u>807,898</u>

Trade receivables from third parties mainly represent receivables from customers in relation to the sales 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 with respect to sales delivered in the particular month.

The following ageing analysis of trade receivables, net of credit loss allowance, is presented based on the date of issuance of monthly statements at the end of each reporting period and the ageing analysis of bills receivables is presented based on the date of issuance of the bills at the end of each reporting period:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables		
0 – 90 days	765,207	740,517
91 – 180 days	49,914	42,756
Over 180 days	<u>6,042</u>	<u>10,224</u>
	<u>821,163</u>	<u>793,497</u>
Bills receivables		
0 – 90 days	26,002	14,401
91 – 180 days	1,746	–
Over 180 days	<u>519</u>	<u>–</u>
	<u>849,430</u>	<u>807,898</u>

10. 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 90 days	359,387	229,551
Over 90 days	<u>10,806</u>	<u>13,499</u>
	<u>370,193</u>	<u>243,050</u>

Bills payables

The bills payables are secured by pledged bank deposits. The following is an ageing analysis of bills payables presented based on the date of issuance of the bills at the end of each reporting year:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 90 days	282,431	222,684
91 – 180 days	<u>161,607</u>	<u>100,564</u>
	<u>444,038</u>	<u>323,248</u>

11. BANK AND OTHER BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank overdrafts	29,111	–
Unsecured syndicated loan	793,883	1,006,673
Unsecured bank borrowings	1,267,386	1,234,940
Unsecured other borrowings (<i>Note</i>)	70,024	44,908
	<u>2,160,404</u>	<u>2,286,521</u>
Carrying amount repayable*:		
Within one year	1,364,879	1,091,540
More than one year, but not exceeding two years	202,464	269,868
More than two years, but not exceeding five years	593,061	925,113
	<u>2,160,404</u>	<u>2,286,521</u>
Less: Amounts due within one year or contain a repayment on demand clause shown under current liabilities	<u>(1,511,615)</u>	<u>(1,313,569)</u>
Amounts shown under non-current liabilities	<u>648,789</u>	<u>972,952</u>
Carrying amount of bank borrowings that are repayable within one year and contain a repayment on demand clause	1,149,761	1,012,911
Carrying amount of bank borrowings that are repayable more than one year but contain a repayment on demand clause	146,736	222,029
	<u>1,296,497</u>	<u>1,234,940</u>

* 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 interests at London Interbank Offered Rate (“LIBOR”) plus 2.15% to 4.35% (2020: LIBOR plus 2.40%) per annum and repayable from the year ending 31 December 2023 to the year ending 31 December 2025 (2020: repayable in the year ending 31 December 2023). Such other borrowings are denominated in U.S. Dollars (“US\$”).

During the year ended 31 December 2020, the Group entered into a new facility agreement for an unsecured syndicated loan (“2020 Syndicated Loan”), which would be repayable by installments, from the year ended 31 December 2021 to the year ending 31 December 2023 and 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 2020 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 31 December 2021 and 2020.

The Group has floating-rate borrowings which carry interests at HIBOR plus 1.00% to 2.20% or LIBOR plus 1.00% to 2.75% (2020: HIBOR plus 1.40% to 2.50% or LIBOR plus 1.40% to 2.75%) per annum.

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 2020 and 31 December 2020 and 2021	<u>50,000,000,000</u>	<u>500,000,000</u>	<u>500,000</u>
Issued and fully paid:			
At 1 January 2020 and 31 December 2020 and 2021	<u>1,039,808,000</u>	<u>10,398,080</u>	<u>10,398</u>

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 2021.

Two years into the 2019 novel coronavirus disease (“**COVID-19**”) pandemic (the “**Pandemic**”), we have been through a year full of challenges and opportunities in 2021. The implementation of disease control measures in different countries at different times throughout 2021 has resulted in inimical impacts on the respective economies and manufacturing was certainly one of the most affected sectors. Nevertheless, people have also tried to acclimate to the new normal in the late-pandemic era. The continuous efforts by the governments around the world to contain the Pandemic including wider vaccination among the global population and initiatives to restore their economies and market confidence to the pre-pandemic level have resulted in economic normalcy to some extent. The global gross domestic product (“**GDP**”) was estimated by the International Monetary Fund (the “**IMF**”) to increase by 5.9% in 2021, in contrast to a decrease of 3.1% in 2020. We have observed a strong rebound in market demands for consumer goods in general, and the growing health consciousness of the general public has resulted in higher consumption demands for sportswear and healthcare products, which in turn has laid the path to the continuous growth in our sportswear and apparel fabric business segment.

While we continue to maintain our competitive edge of being a one-stop solutions provider of a comprehensive range of lingerie materials and reinforce our leading position in the global lingerie material industry, we have successfully grown our sportswear and apparel fabric business segment over the years. Such segment has again shown an encouraging sales growth of approximately 43.8% in 2021. Given the myriad potentials in the sportswear and apparel fabric markets, we believe our sportswear and apparel fabric business segment will continue to be our growth driver in the near future.

Giving credits to our international manufacturing footprint, Best Pacific has been helpful to our customers to reduce supply chain disruptions, which is commonly seen during the Pandemic time. The agility and resilience of our business model has certainly won the applause from our eminent customers.

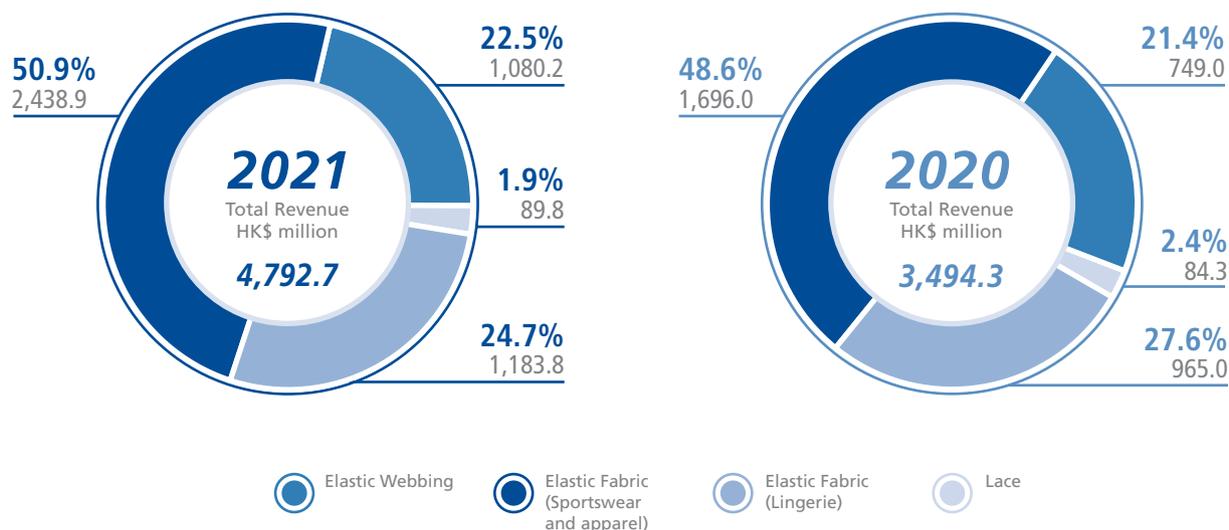
With the uncertainties in the Pandemic situation and the overall economic activities around the world, market conditions are expected to be highly fluid in 2022. Best Pacific will remain steadfastly focused on bringing forward strategies and actions to attain its long-term success. We will continue to work with our customers and business partners, striving to deliver a promising return to our shareholders in the long run. None of the achievements in 2021 would have been possible without the hard work and commitments from our staff and colleagues, I would like to take this opportunity to thank the Board of Directors and all our dedicated employees across the globe for their continued loyalty, diligence, professionalism and contributions to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With the implementation of mobility restrictions or social distancing policies from time to time in different countries and regions to curb waves of the Pandemic, it was undisputable that the operating environment around the world had been severely harmed at different times throughout 2021. Nevertheless, cautious optimism towards the COVID-19 also started to emerge in 2021 as people got to accustom themselves to the new norm during this Pandemic battle. An improved economic outlook buoyed sentiments and drove optimism in the global consumption demands, which further solidified the overall rebound of the manufacturing sectors. According to the IMF, the GDP of the advanced economies was estimated to increase by 5.0% in 2021 and the GDP of the emerging market and developing economies was estimated to increase by 6.5% in 2021. The world's two largest economies, namely the U.S. and the PRC, experienced GDP growth of 5.7% and 8.1% in 2021, respectively, according to the U.S. Bureau of Economic Analysis and the National Bureau of Statistics of China.

Benefitting from the recovery of the global economies and the pick up of market demands, the overall Group's revenue had increased by approximately 37.2% and hit a historical high in 2021. Coupled with the higher health awareness of the general public, our continuous investment in sportswear and apparel products continued to pay off. The sales revenue of sportswear and apparel fabric materials segment had increased to approximately HK\$2,438.9 million, representing a year-on-year growth of approximately 43.8%. Notably, our sales revenue of elastic webbing segment also recorded a year-on-year growth of approximately 44.2% in 2021.



Building on our competitive edges, we continued to further develop our businesses by deploying our set strategies: (i) leveraging on our international manufacturing footprint to provide sustainable supply chain solutions to cater for the best interests of our customers, which encompassed reduction in production lead time, catering for other trade and tariff considerations as well as reducing supply chain disturbances as a result of the intermittent anti-pandemic measures; (ii) continuing to provide a simplified and centralized sourcing solution to our customers as a one-stop solutions provider of a comprehensive range of lingerie materials, which could help our customers to optimize their inventory levels as well as to shorten their manufacturing lead time; and (iii) further investments in our research and development capabilities to bring about product innovations to keep abreast of changing market trends.

Our international operations

Our international manufacturing footprint not only forms a vital part of our agile business model, the improved performance from our overseas operations also contributed to a better overall financial performance of the Group in 2021.

Although the Pandemic had seriously affected Vietnam in 2021, in particular the southern regions in the third quarter of 2021, Vietnam was still able to achieve a GDP growth of 2.6%, according to the General Statistics Office of Vietnam as compared to 2020. The operation of our manufacturing site located at Hai Duong in Vietnam was relatively less affected by the Pandemic and achieved a year-on-year revenue growth of approximately 26.9% in 2021.

According to the IMF's latest projection, Sri Lanka was expected to achieve a GDP growth of 3.6% in 2021, as compared to a negative GDP growth of 3.6% in 2020. Sri Lanka's economy was also picking up from the Pandemic and we observed an uptake in business momentum in 2021. Considerable management efforts had been spent on capacity utilization in our operations in Sri Lanka and improvement in the relevant profitabilities was observed as a result of the overall higher efficiencies and economies of scale during the year ended 31 December 2021. A year-on-year revenue growth of approximately 98.5% was observed in our operations in Sri Lanka in 2021.

Although the Pandemic had a relatively less influence on us due to the nature of our business model, we faced various costs pressure in 2021 which undermined our profitability to a certain extent. With the fossil fuel almost doubling its price in 2021, the market prices of many oil by-products and chemical raw materials had increased considerably, which inevitably resulted in an increased cost of our major raw materials. The inflation and rising staff costs across our different manufacturing locations also added weight to our overall production costs. Nevertheless, we strived our best to digest these costs pressure 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 REVIEW

Revenue

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

For the year ended 31 December 2021, revenue amounted to approximately HK\$4,792.7 million, representing an increase of approximately HK\$1,298.4 million, or approximately 37.2%, from approximately HK\$3,494.3 million for the year ended 31 December 2020. The increase in overall revenue during the year was mainly attributable to the increase in the sales volume of our products, as a result of the rebounded sales orders from our lingerie customers and the continued growth in the sales orders from our sportswear and apparel clients.

A comparison of the Group's revenue for the years ended 31 December 2021 and 2020 by product categories is as follows:

	For the year ended 31 December				Change	
	2021		2020		(HK\$'000)	%
	<i>Revenue</i>	<i>% of</i>	<i>Revenue</i>	<i>% of</i>		
	<i>(HK\$'000)</i>	<i>Revenue</i>	<i>(HK\$'000)</i>	<i>Revenue</i>	<i>(HK\$'000)</i>	<i>%</i>
Elastic fabric	3,622,677	75.6	2,660,926	76.2	961,751	36.1
– <i>Sportswear and apparel</i>	<i>2,438,897</i>	<i>50.9</i>	<i>1,696,016</i>	<i>48.6</i>	<i>742,881</i>	<i>43.8</i>
– <i>Lingerie</i>	<i>1,183,780</i>	<i>24.7</i>	<i>964,910</i>	<i>27.6</i>	<i>218,870</i>	<i>22.7</i>
Elastic webbing	1,080,200	22.5	749,025	21.4	331,175	44.2
Lace	89,784	1.9	84,323	2.4	5,461	6.5
Total	<u>4,792,661</u>	<u>100.0</u>	<u>3,494,274</u>	<u>100.0</u>	<u>1,298,387</u>	<u>37.2</u>

For the year ended 31 December 2021, revenue from sales of elastic fabric amounted to approximately HK\$3,622.7 million, representing an increase of approximately HK\$961.8 million, or approximately 36.1%, as compared to the year ended 31 December 2020. Leveraging on the Group's multi-regional production strategy, high product quality, strong innovation and research and development capabilities, the Group had successfully entered into certain core programmes with new partnering brands in the sportswear and apparel business segment. The Group had maintained a high growth in the segment and our sales revenue of sportswear and apparel segment increased from approximately HK\$1,696.0 million for the year ended 31 December 2020 to approximately HK\$2,438.9 million for the year ended 31 December 2021, hitting another new high and also representing a year-on-year increase of approximately 43.8%, which had made our sportswear and apparel segment the dominating revenue contributor of the Group.

As a result of the rebounded sales orders from our lingerie customers, especially in the U.S. and European markets, our sales revenue of lingerie fabric materials increased from approximately HK\$965.0 million for the year ended 31 December 2020 to approximately HK\$1,183.8 million for the year ended 31 December 2021, representing a year-on-year increase of approximately 22.7%.

The decent recovery of the lingerie market in 2021 had also resulted in an increase in the volume of our elastic webbing and lace products sold. Revenue from sales of elastic webbing amounted to approximately HK\$1,080.2 million for the year ended 31 December 2021, representing an increase of approximately HK\$331.2 million, or approximately 44.2%, as compared to the year ended 31 December 2020.

Cost of sales

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

Cost of sales – by nature of expense

	For the year ended 31 December				Change	
	2021		2020			
	<i>Cost</i>	<i>% of cost</i>	<i>Cost</i>	<i>% of cost</i>		
	<i>of sales</i>	<i>of sales</i>	<i>of sales</i>	<i>of sales</i>	<i>(HK\$'000)</i>	<i>%</i>
	<i>(HK\$'000)</i>		<i>(HK\$'000)</i>			
Raw materials	1,841,445	50.0	1,289,819	48.7	551,626	42.8
Manufacturing overheads	1,403,762	38.1	1,036,207	39.1	367,555	35.5
Direct labour	414,603	11.3	306,146	11.5	108,457	35.4
Others	21,019	0.6	18,742	0.7	2,277	12.1
Total	3,680,829	100.0	2,650,914	100.0	1,029,915	38.9

The Group's cost of sales for the year ended 31 December 2021 amounted to approximately HK\$3,680.8 million, representing an increase of approximately HK\$1,029.9 million, or approximately 38.9%, as compared to the year ended 31 December 2020. The increase in cost of sales was primarily due to the increase in overall sales volume. In 2021, prices of most commodities including our main raw materials were on the increase. The higher unit prices have resulted in a relatively larger increase in our raw material costs as compared to the overall increase in the Group's turnover. At the same time, we also observed the cost inflation in most other manufacturing costs, including utilities costs, outsourcing costs as well as employee benefits. The Group was able to partly digest these increased costs through better economies of scale and cooperative discussion with our customers on certain product price adjustments.

Cost of sales – by product category

	For the year ended 31 December				Change	
	2021		2020			
	Cost of sales (HK\$'000)	% of cost of sales	Cost of sales (HK\$'000)	% of cost of sales	(HK\$'000)	%
Elastic fabric	2,895,140	78.6	2,090,444	78.9	804,696	38.5
Elastic webbing	732,111	19.9	510,291	19.2	221,820	43.5
Lace	53,578	1.5	50,179	1.9	3,399	6.8
Total	3,680,829	100.0	2,650,914	100.0	1,029,915	38.9

The increase in cost of sales of various business segments during the year end 31 December 2021 was generally in line with the increase in revenue of the corresponding business segments.

Gross profit, gross profit margin and net profit margin

	For the year ended 31 December			
	2021		2020	
	Gross profit (HK\$'000)	Gross profit margin (%)	Gross profit (HK\$'000)	Gross profit margin (%)
Elastic fabric	727,537	20.1	570,482	21.4
Elastic webbing	348,089	32.2	238,734	31.9
Lace	36,206	40.3	34,144	40.5
Total	1,111,832	23.2	843,360	24.1

Albeit a slight decrease in gross profit margin of the elastic fabric segment, which was mainly due to the change in the relevant product mix as well as increased raw materials costs, the Group had maintained a relatively stable overall gross profit margin. The Group's overall gross profit increased from approximately HK\$843.4 million for the year ended 31 December 2020 to approximately HK\$1,111.8 million for the year ended 31 December 2021.

Net profit of the Group for the year ended 31 December 2021 amounted to approximately HK\$401.3 million, representing an increase of approximately 61.0%, as compared to approximately HK\$249.2 million for the year ended 31 December 2020. The Group recorded a net profit margin of approximately 8.4% for the year ended 31 December 2021, representing an increase of approximately 1.3 percentage points, as compared to the year ended 31 December 2020. The increase in net profit margin for the year ended 31 December 2021 was mainly attributable to (i) the overall increase in the volume of products sold and (ii) the positive impacts from better economies of scale attained in 2021.

Other income

The Group's other income mainly consisted of bank interest income, government grants, net proceeds from sales of scrap materials, gain from bargain purchase from acquisition of a business, compensation income from customers 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	
	2021	2020
	(HK\$'000)	(HK\$'000)
Bank interest income	21,850	8,238
Government grants	12,250	13,036
Net proceeds from sales of scrap materials	4,404	5,547
Gain from bargain purchase from acquisition of a business	3,900	–
Compensation income from customers	1,284	11,584
Others	7,006	5,401
Total	50,694	43,806

The increase in other income by approximately 15.7%, from approximately HK\$43.8 million for the year ended 31 December 2020 to approximately HK\$50.7 million for the year ended 31 December 2021, was mainly due to the increase in bank interest income received, as a result of the improved liquidity position of the Group throughout the year, and the gain from bargain purchase from acquisition of a business. Details of the acquisition please refer to the Company's announcement dated 29 January 2021.

Other gains and losses

Other gains and losses mainly consisted of net foreign exchange gain (loss), gain from change in fair value of a derivative financial instrument, (loss) gain on disposal of property, plant and equipment and others. The following table sets forth the breakdown of the Group's other gains and losses for the years indicated:

	For the year ended	
	31 December	
	2021	2020
	(HK\$'000)	(HK\$'000)
Net foreign exchange gain (loss)	1,731	(26,327)
Change in fair value of a derivative financial instrument	310	1
(Loss) gain on disposal of property, plant and equipment	(135)	72
Others	–	537
Total	1,906	(25,717)

The net foreign exchange loss in the year ended 31 December 2020 turned into a net foreign exchange gain of approximately HK\$1.7 million in the year ended 31 December 2021. This was the result of (i) the net foreign exchange gain attained in our overseas operations due to appreciation of US\$ against Vietnam Dong (“VND”) and Sri Lanka Rupee (“LKR”) in 2021 and (ii) reduced foreign exchange loss in our PRC operations due to softer Renminbi (“RMB”) appreciation as compared to the year ended 31 December 2020.

Impairment losses under expected credit loss model, net of reversal

Impairment losses under expected credit loss model, net of reversal, represented the result of impairment assessment under expected credit loss model on trade receivables. For the year ended 31 December 2021, the impairment losses under expected credit loss model, net of reversal, amounted to approximately HK\$12.0 million, representing an increase of approximately HK\$5.7 million from approximately HK\$6.3 million for the year ended 31 December 2020. The increase in impairment losses was mainly attributable to the overall increase in trade receivables balance, as well as 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 years ended 31 December 2020 and 2021, the Group’s selling and distribution expenses represented approximately 4.5% and 4.2% of its total revenue, respectively. The year-on-year decrease in the ratio of selling and distribution expenses against total revenue was mainly due to the economies of scale achieved in the year ended 31 December 2021.

Administrative expenses

Administrative expenses primarily consisted of employee benefit expenses, depreciation, motor vehicle expenses, bank charges and other administrative expenses. For the years ended 31 December 2020 and 2021, the Group’s administrative expenses represented approximately 7.3% and 7.0% of its total revenue, respectively. The year-on-year decrease in the ratio of administrative expenses against total revenue was mainly due to the economies of scale achieved in the year ended 31 December 2021.

Research and development costs

The Group is dedicated to catering the changing market preferences by introducing innovative lingerie, sportswear and apparel materials. For the years ended 31 December 2020 and 2021, the Group’s research and development costs represented approximately 2.3% and 2.1% of its total revenue, respectively.

Finance costs

The Group’s finance costs mainly represented interest expenses for bank borrowings and lease liabilities. The finance costs decreased by approximately 18.5% from approximately HK\$75.7 million for the year ended 31 December 2020 to approximately HK\$61.7 million for the year ended 31 December 2021. The decrease in finance costs was primarily due to the overall decrease in average borrowings balance of the Group as well as the general decrease in market interest rates during the year ended 31 December 2021.

Income tax expense

Under the two-tiered profits tax rates regime of the Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits 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%. 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 profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the EIT Law and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25% for both years ended 31 December 2021 and 2020, 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 were renewed for an additional three years from the year ended 31 December 2019. Hence, Dongguan BPT and Dongguan NHE had been subject to the preferential tax treatment and the applicable tax rate for the years ended 31 December 2021 and 2020 was 15%.

Withholding tax on dividends was calculated at 5% of the estimated dividends to be received from the subsidiaries in the PRC during the year.

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 a tax holiday for two financial years since the first financial year of taxable profits and a 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 a tax holiday for four financial years since 2018, a tax concession at a tax rate of 5% for the following nine financial years and a tax concession at a tax rate of 10% for the next following two financial years.

Pursuant to the Inland Revenue (Amendment) Act, No. 10 of 2021 in Sri Lanka, the applicable tax rate for the subsidiaries operating in Sri Lanka is 24% for both years ended 31 December 2021 and 2020. 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 years ended 31 December 2021 and 2020. In addition, one of these subsidiaries is currently eligible for a 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 12.1% for the year ended 31 December 2021 (for the year ended 31 December 2020: approximately 14.1%). The decrease in the effective tax rate for the year ended 31 December 2021 was mainly due to the overall increasing profit contributions from overseas subsidiaries located in jurisdictions with better tax incentives.

Liquidity, financial resources and bank borrowings

As at 31 December 2021, net working capital (calculated as current assets less current liabilities) was approximately HK\$815.2 million, representing an increase of approximately HK\$20.9 million as compared with 31 December 2020. The current ratio (calculated as current assets/current liabilities) is at 1.3 times as at 31 December 2021, which was similar with the 1.4 times as at 31 December 2020.

For the year ended 31 December 2021, net cash generated from operating activities decreased from approximately HK\$754.2 million for the year ended 31 December 2020 to approximately HK\$522.7 million for the year ended 31 December 2021, which was mainly due to (i) the general increase in the unit prices of our main raw materials and (ii) the purchase of more raw materials to cope with the increasing market demands for the Group's products during the year ended 31 December 2021.

Net cash used in investing activities amounted to approximately HK\$414.3 million for the year ended 31 December 2021, as compared to approximately HK\$212.7 million for the year ended 31 December 2020. The increase in net cash used in investing activities during the year ended 31 December 2021 was mainly due to the increase in placements of pledged bank deposits and short term bank deposits in the year ended 31 December 2021.

During the year ended 31 December 2021, net cash used in financing activities amounted to approximately HK\$363.9 million, as compared to approximately HK\$47.8 million for the year ended 31 December 2020. The increase in net cash used in financing activities for the year ended 31 December 2021 was mainly due to the net repayment of borrowings as well as the payment of dividends in larger amounts, as compared to the year ended 31 December 2020. The Group had attained a better financial performance and overall stronger cash positions throughout the year ended 31 December 2021.

As at 31 December 2021, the Group's net gearing ratio was 28.9% (as at 31 December 2020: 36.7%), which was calculated on the basis of the amount of net debt position (sum of bank deposits and bank balances and cash, less total bank and other borrowings) as a percentage of total equity. The Group was in a net debt position of approximately HK\$976.1 million as at 31 December 2021, as compared to a net debt position of approximately HK\$1,107.4 million as at 31 December 2020.

Working capital management

	For the year ended 31 December			
	2021	2020	Change (days)	(%)
Trade and bills receivables turnover days	63.1	81.8	(18.7)	(22.9)
Trade and bills payables turnover days	68.4	82.8	(14.4)	(17.4)
Inventory turnover days	118.0	137.2	(19.2)	(14.0)

The year-on-year decrease in trade and bills receivables turnover days for the year ended 31 December 2021 by approximately 18.7 days was primarily due to better management on receivables in general.

The year-on-year decrease in trade and bills payables turnover days for the year ended 31 December 2021 by approximately 14.4 days was primarily due to the increase in use of cash to settle transactions for the benefit of better prices.

The year-on-year decrease in inventory turnover days for the year ended 31 December 2021 by approximately 19.2 days was primarily due to better inventory control by the Group.

Capital expenditure

The capital expenditure in 2021 primarily represented payments for expansion in order to cope with the Group's overall business expansion. The Group's total addition to property, plant and equipment decreased from approximately HK\$290.9 million for the year ended 31 December 2020 to approximately HK\$230.6 million for the year ended 31 December 2021.

Besides, payment was made for the acquisition of business from Textprint Lanka (Private) Limited by Trischel Fabric (Private) Limited in January 2021. The assets acquired included computer and office equipment as well as machineries amounted to approximately HK\$23.7 million. Details of the acquisition were disclosed in the Company's announcement dated 29 January 2021.

Pledge of assets

As at 31 December 2021, the Group pledged certain bank deposits, amounting to approximately HK\$121.6 million (as at 31 December 2020: approximately HK\$77.9 million), to secure the bills payables issued by the Group.

Contingent liabilities

As at 31 December 2021, the Group did not have any significant contingent liabilities.

Events after the reporting period

Save as disclosed in this announcement, the Group has no other significant events after the reporting period and up to the date of this announcement.

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, VND and LKR. The Group manages its foreign exchange risk by performing regular reviews and monitoring on 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 VND and LKR 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, VND and LKR primarily by our subsidiaries in the PRC, Vietnam and Sri Lanka, respectively.

Employees and remuneration policies

As at 31 December 2021, the Group employed a total of 8,957 full-time employees (as at 31 December 2020: 7,825). The increase in the number of employees was mainly due to the overseas expansion during the year.

The Group remunerates its staff according to their performance, qualification, experience and industry practices, and conducts regular reviews of its remuneration policy. The remuneration committee of the Company was set up primarily for reviewing the Group's remuneration policy and structure for all remuneration of the Directors and senior management of the Group, having regard to factors including but not limited to salaries paid by comparable companies, time commitment and responsibilities of the Directors/employees, employment conditions elsewhere in the Group, and whether the remuneration is commensurate with the performance.

There has been 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 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.

FUTURE STRATEGIES AND PROSPECTS

In light of certain negative market factors arising since the fourth quarter of 2021, it is clear that recovery cannot be taken for granted. The IMF released a revised world economic outlook update in January 2022, reducing the projected global GDP growth in 2022 by 0.5 percentage point to a moderate GDP growth of 4.4%, as compared to the estimated GDP growth of 5.9% in 2021. The new Omicron COVID-19 variant, which appears to be more transmissible than the Delta COVID-19 variant, began to spread across the globe and most of the affected countries have reacted by reimposing certain mobility restrictions. The economists have built their forecast by assuming that adverse health outcomes arising from the Pandemic will be brought to low levels in most countries by the end of 2022. This, however, will rely on the successfulness of achieving such condition, which in turn will be dependent on worldwide access of adequate and effective vaccinations and treatments. Undoubtedly, the global growth can be hindered again if the adverse impacts of the Pandemic drag on.

Problems of elevated inflation, more notably in the U.S. and many emerging markets and developing countries, as a result of ongoing supply chain disruptions, energy prices volatility, and localized wage pressure, have been piled on the desks of policymakers. It is expected that the U.S. and some developed economies will further tighten their monetary policy, posing further risks to the financial stability. In China, pandemic-induced disruptions related to the zero-tolerance COVID-19 policy, interruptions to industrial production from power outage and declining real estate investment, had slowed down its economic growth in the second half of 2021. A lower private consumption is anticipated and its projected GDP growth is reduced to 5.5% in 2022, as compared to a GDP growth of 8.1% in 2021. All these dooming factors may pose uncertainties and threats to the path of recovery and growth of the global economies.

The Group is also aware of the changing market landscape as brought by the geopolitical tensions among the superpowers and the COVID-19. We believe that risk management is vital for our business success and we must remain agile and vigilant and to respond swiftly to the changing market environments. We will continue our efforts in capturing market shares from the overseas market while on the other hand we will devote resources to seize the vast potentials in the PRC market, especially the sportswear and apparel sector. Despite the unforeseeable challenges of the macroeconomic environment ahead, Best Pacific is confident in maintaining its leading position in the lingerie material market space and we will also keep abreast of the athleisure market and further penetrate the sportswear and apparel business segment.

As at 31 December 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. Despite the global economic growth being projected to be moderate in 2022 as compared to a faster rebound in 2021, it is overall a positive projection. In order to cope with our growing customers' demands, the Group is prepared to take a more proactive approach in exploring the feasibility of capacity expansion, both domestically and in overseas, keeping a close eye on various factors affecting our profitability and will implement relevant measures as and when appropriate. We strongly believe that, through our continual expansion, it will underpin Best Pacific's long-term sustainability and ensure its ability to deliver value for its shareholders in the long run.

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 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 management the consolidated financial statements of the Group for the year ended 31 December 2021, 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 2021 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 HK11.8 cents per ordinary share in respect of the year ended 31 December 2021 (the "**Final Dividend**") (for the year ended 31 December 2020: HK7.4 cents). The Final Dividend is expected to be paid on 15 August 2022 to shareholders whose names appear on the register of members of the Company on 8 July 2022, subject to the approval by the shareholders at the forthcoming annual general meeting of the Company on 28 June 2022 (the "**AGM**").

An interim dividend of HK7.5 cents per share was paid to shareholders on 30 November 2021 (2020: nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 June 2022 to 28 June 2022, 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 22 June 2022 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 8 July 2022 and the register of members of the Company will be closed from 6 July 2022 to 8 July 2022, 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 5 July 2022 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 in force 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 2021.

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, 28 March 2022

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*