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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

- The Group's revenue for the six months ended 30 June 2024 amounted to approximately HK\$2,385.4 million, representing an increase of approximately 25.1%, as compared to the six months ended 30 June 2023.

Sales revenue of sportswear and apparel fabric materials for the six months ended 30 June 2024 recorded a period-on-period growth of approximately 35.8% and amounted to approximately HK\$1,301.9 million (for the six months ended 30 June 2023: approximately HK\$958.6 million).

- The Group's gross profit for the six months ended 30 June 2024 amounted to approximately HK\$645.2 million, representing an increase of approximately 60.9%, as compared to the six months ended 30 June 2023. The Group's gross profit margin was approximately 27.0% during the six months ended 30 June 2024, as compared to approximately 21.0% for the six months ended 30 June 2023.
- The Group recorded a net profit and net profit margin for the six months ended 30 June 2024 of the Group amounted to approximately HK\$283.2 million and 11.9% respectively, representing an increase of net profit by approximately 138.6% and an increase of net profit margin of approximately 5.7 percentage points, as compared to the six months ended 30 June 2023.

Profit attributable to owners of the Company for the six months ended 30 June 2024 amounted to approximately HK\$277.4 million, representing an increase of approximately 100.1%, as compared to the six months ended 30 June 2023.

- As at 30 June 2024, the Group's net gearing ratio was approximately 11.6%, as compared to approximately 15.0% as at 31 December 2023. The Group was in a net debt position of approximately HK\$394.0 million as at 30 June 2024, as compared to approximately HK\$498.8 million as at 31 December 2023.
- The Group maintained earnings before interest, tax, depreciation and amortisation for the six months ended 30 June 2024 of approximately HK\$598.1 million (for the six months ended 30 June 2023: approximately HK\$387.7 million).
- Basic earnings per share was approximately HK26.67 cents for the six months ended 30 June 2024, representing an increase of approximately 100.1% from approximately HK13.33 cents for the six months ended 30 June 2023.
- The Board has resolved to declare an interim dividend of HK13.33 cents per ordinary share for the six months ended 30 June 2024 (for the six months ended 30 June 2023: HK5.3 cents per ordinary share).

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 2024 (the “**Reporting Period**”), together with the comparative figures for the six months ended 30 June 2023, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024 (unaudited)

	Notes	Six months ended	
		30.6.2024 HK\$'000 (unaudited)	30.6.2023 HK\$'000 (unaudited)
Revenue	4	2,385,408	1,906,712
Cost of sales		(1,740,246)	(1,505,736)
Gross profit		645,162	400,976
Other income		19,428	19,118
Other gains and losses		20,998	23,748
Net remeasurement of credit loss allowance for trade receivables		(2,115)	(1,278)
Selling and distribution expenses		(101,464)	(81,826)
Administrative expenses		(164,799)	(124,212)
Research and development costs		(51,046)	(40,371)
Share of result of a joint venture		1,768	969
Finance costs		(43,712)	(59,142)
Profit before taxation	5	324,220	137,982
Income tax expense	6	(41,051)	(19,304)
Profit for the period		283,169	118,678
Profit (loss) for the period attributable to			
– Owners of the Company		277,358	138,608
– Non-controlling interests		5,811	(19,930)
		283,169	118,678
Basic earnings per share (HK cents)	8	26.67	13.33

	Six months ended	
	30.6.2024	30.6.2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit for the period	<u>283,169</u>	<u>118,678</u>
Other comprehensive expense		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(73,086)	(104,644)
Share of translation reserve of a joint venture	<u>(138)</u>	<u>(813)</u>
Other comprehensive expense for the period	<u>(73,224)</u>	<u>(105,457)</u>
Total comprehensive income for the period	<u><u>209,945</u></u>	<u><u>13,221</u></u>
Total comprehensive income (expense) for the period attributable to		
– Owners of the Company	204,134	33,151
– Non-controlling interests	<u>5,811</u>	<u>(19,930)</u>
	<u><u>209,945</u></u>	<u><u>13,221</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024 (unaudited)

	<i>Notes</i>	30.6.2024 HK\$'000 (unaudited)	31.12.2023 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	9	2,639,037	2,735,043
Right-of-use assets	9	250,531	280,066
Interest in a joint venture		39,555	37,926
Deposits		98,360	41,916
Deferred tax assets		5,428	7,635
		3,032,911	3,102,586
Current assets			
Inventories		1,050,728	1,008,599
Trade and bills receivables	10	785,988	737,674
Other receivables, deposits and prepayments		116,225	107,842
Tax recoverables		4,967	10,906
Pledged bank deposits		74,658	87,951
Bank balances and cash		756,812	927,838
		2,789,378	2,880,810
Current liabilities			
Trade payables	11	290,595	323,697
Bills payables	11	274,595	303,022
Other payables and accrued charges		311,026	309,191
Dividend payable	7	118,330	–
Contract liabilities		34,002	31,414
Bank and other borrowings	12	568,917	1,079,385
Lease liabilities		26,501	42,588
Tax payables		8,070	13,204
		1,632,036	2,102,501
Net current assets		1,157,342	778,309
Total assets less current liabilities		4,190,253	3,880,895

	<i>Note</i>	30.6.2024 HK\$'000 (unaudited)	31.12.2023 <i>HK\$'000</i> (audited)
Non-current liabilities			
Bank and other borrowings	<i>12</i>	656,550	435,191
Lease liabilities		90,051	91,989
Deferred income		12,405	12,169
Deferred tax liabilities		10,727	11,415
Retirement benefit obligations		8,318	9,414
Other liabilities		5,046	5,176
		<u>783,097</u>	<u>565,354</u>
Net assets		<u>3,407,156</u>	<u>3,315,541</u>
Capital and reserves			
Share capital		10,398	10,398
Reserves		3,289,724	3,203,920
		<u>3,300,122</u>	<u>3,214,318</u>
Equity attributable to owners of the Company		<u>3,300,122</u>	<u>3,214,318</u>
Non-controlling interests		<u>107,034</u>	<u>101,223</u>
		<u>3,407,156</u>	<u>3,315,541</u>
Total equity		<u>3,407,156</u>	<u>3,315,541</u>

NOTES

For the six months ended 30 June 2024

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 2024 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 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 D2 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

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 2024 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2023.

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 Group's annual period beginning on 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in the consolidated financial statements.

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 Mainland China, 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.

Disaggregation of revenue from contracts with customers

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

For the six months ended 30 June 2024 (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	1,301,906	–	1,301,906
– Lingerie	587,541	–	587,541
	1,889,447	–	1,889,447
Lace	27,800	–	27,800
Elastic webbing	–	468,161	468,161
	1,917,247	468,161	2,385,408

For the six months ended 30 June 2023 (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	958,585	–	958,585
– Lingerie	528,580	–	528,580
	1,487,165	–	1,487,165
Lace	32,578	–	32,578
Elastic webbing	–	386,969	386,969
	1,519,743	386,969	1,906,712

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 commonly from synthetic fibres that are 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 commonly from synthetic fibres that are 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 2024 (unaudited)

	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>1,917,247</u>	<u>468,161</u>	<u>2,385,408</u>
Segment gross profit	<u>528,105</u>	<u>117,057</u>	<u>645,162</u>
Segment profit	<u>304,419</u>	<u>60,333</u>	364,752
Unallocated other income			8,321
Unallocated other gains and losses			20,354
Unallocated corporate expenses			(27,263)
Share of result of a joint venture			1,768
Finance costs			<u>(43,712)</u>
Profit before taxation			<u>324,220</u>

For the six months ended 30 June 2023 (unaudited)

	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>1,519,743</u>	<u>386,969</u>	<u>1,906,712</u>
Segment gross profit	<u>326,549</u>	<u>74,427</u>	<u>400,976</u>
Segment profit	<u>151,601</u>	<u>23,995</u>	175,596
Unallocated other income			11,680
Unallocated other gains and losses			24,291
Unallocated corporate expenses			(15,412)
Share of result of a joint venture			969
Finance costs			<u>(59,142)</u>
Profit before taxation			<u>137,982</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, net foreign exchange gain, 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.

5. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2024 HK\$'000 (unaudited)	30.6.2023 HK\$'000 (unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	203,463	163,372
Depreciation of right-of-use assets	26,658	27,222
Depreciation capitalised in inventories	<u>(208,940)</u>	<u>(152,767)</u>
	21,181	37,827
Cost of inventories recognised as an expense	1,740,246	1,505,736
Including: provision for allowance for slow-moving inventories	7,994	1,759
Bank interest income (included in other income)	(6,215)	(8,705)
Government grants (included in other income)	(3,625)	(3,746)
Net proceeds from sales of scrap materials (included in other income)	(4,723)	(2,795)
Net foreign exchange gain (included in other gains and losses)	<u>(20,354)</u>	<u>(24,291)</u>

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2024 HK\$'000 (unaudited)	30.6.2023 HK\$'000 (unaudited)
Current tax:		
Hong Kong Profits Tax	19,048	9,669
The People's Republic of China ("PRC") Enterprise Income Tax ("EIT")	10,716	8,927
Income tax in other jurisdictions	8,654	3,722
Over-provision in prior years:		
The PRC EIT	<u>(1,619)</u>	<u>(605)</u>
	36,799	21,713
Deferred taxation	<u>4,252</u>	<u>(2,409)</u>
	<u>41,051</u>	<u>19,304</u>

Under the two-tiered profits tax rates regime in Hong Kong, 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%. Accordingly, the Hong Kong Profits Tax for 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 both periods.

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 2024 and 2023 respectively, 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 further renewed for an additional three years from the year ended 31 December 2022. 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 2024 and 2023 was 15%.

Withholding tax on dividends from subsidiaries established in the PRC was calculated at 5% of the estimated dividends to be received from the subsidiaries in the PRC during the six months ended 30 June 2024 and 2023.

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 of the Group in Vietnam is eligible for a tax holiday for two financial years since the first financial year of taxable profit 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 of Vietnam, the subsidiary of the Group 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.

Withholding tax on shareholder’s loans interest was calculated at 5% of the interest paid and estimated interest to be paid by the subsidiary in Vietnam during the six months ended 30 June 2024 and 2023.

According to the amendments to the Inland Revenue Act No. 24 of 2017 passed in Sri Lanka parliament on 9 December 2022, the subsidiaries of the Group operating in Sri Lanka are liable for an income tax rate of 30% from 1 July 2022 onwards. 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

During the current interim period, a final dividend of HK11.38 cents per ordinary share in respect of the year ended 31 December 2023 (2023: HK4.22 cents per ordinary share in respect of the year ended 31 December 2022) was declared to the shareholders of the Company and was approved by the shareholders at the annual general meeting on 25 June 2024. The aggregate amount of final dividend amounted to approximately HK\$118,330,000 (2023: approximately HK\$43,880,000) was subsequently paid to shareholders in July 2024 (2023: August 2023).

Subsequent to the end of the current interim period, the directors of the Company have resolved to declare interim dividend of HK13.33 cents per ordinary share for the six months ended 30 June 2024 (2023: HK5.3 cents per ordinary share for the six months ended 30 June 2023).

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	
	30.6.2024	30.6.2023
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic earnings per share (profit for the period attributable to owners of the Company) (HK\$'000)	<u>277,358</u>	<u>138,608</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 the six months ended 30 June 2024 and 2023 was presented as there was no potential ordinary shares in issue for the six months ended 30 June 2024 and 2023.

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

During the six months ended 30 June 2024, total additions to property, plant and equipment were approximately HK\$164,424,000 (for the six months ended 30 June 2023: approximately HK\$128,545,000), which mainly included additions to construction in progress of approximately HK\$120,714,000 (for the six months ended 30 June 2023: approximately HK\$111,232,000) and additions to machinery of approximately HK\$36,607,000 (for the six months ended 30 June 2023: approximately HK\$15,962,000).

During the six months ended 30 June 2024, the Group entered into a new lease agreement with lease term of three years, for leasing of a staff accommodation in the PRC. On lease commencement, the Group recognised lease liabilities of approximately HK\$7,286,000 (for the six months ended 30 June 2023: approximately HK\$30,746,000) and total additions to right-of-use assets were approximately HK\$7,286,000 (for the six months ended 30 June 2023: approximately HK\$30,746,000).

10. TRADE AND BILLS RECEIVABLES

	30.06.2024 <i>HK\$'000</i> (unaudited)	31.12.2023 <i>HK\$'000</i> (audited)
Trade receivables	780,360	730,641
Less: Allowance for credit losses	(7,818)	(5,703)
	<hr/>	<hr/>
Net trade receivables	772,542	724,938
Bills receivables	13,446	12,736
	<hr/>	<hr/>
Total trade and bills receivables	<u>785,988</u>	<u>737,674</u>

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 followings 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:

	30.6.2024 <i>HK\$'000</i> (unaudited)	31.12.2023 <i>HK\$'000</i> (audited)
Trade receivables		
0–90 days	731,163	681,265
91–180 days	39,847	42,279
Over 180 days	1,532	1,394
	<hr/>	<hr/>
	772,542	724,938
	<hr/>	<hr/>
Bills receivables		
0–90 days	13,446	12,736
	<hr/>	<hr/>
	13,446	12,736
	<hr/>	<hr/>
	<u>785,988</u>	<u>737,674</u>

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:

	30.6.2024 <i>HK\$'000</i> (unaudited)	31.12.2023 <i>HK\$'000</i> (audited)
0-90 days	265,059	300,030
91-180 days	25,536	23,667
	290,595	323,697

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:

	30.6.2024 <i>HK\$'000</i> (unaudited)	31.12.2023 <i>HK\$'000</i> (audited)
0-90 days	163,849	190,748
91-180 days	110,746	112,274
	274,595	303,022

12. BANK AND OTHER BORROWINGS

	30.6.2024 <i>HK\$'000</i> (unaudited)	31.12.2023 <i>HK\$'000</i> (audited)
Unsecured bank borrowings	1,081,654	1,370,763
Unsecured other borrowings	143,813	143,813
	<u>1,225,467</u>	<u>1,514,576</u>
Carrying amount repayable*		
Within one year	568,917	1,079,385
More than one year, but not exceeding two years	477,754	161,364
More than two years, but not exceeding five years	178,796	273,827
	<u>1,225,467</u>	<u>1,514,576</u>
Less: Amounts due within one year or contain a repayment on demand clause shown under current liabilities	<u>(568,917)</u>	<u>(1,079,385)</u>
Amounts shown under non-current liabilities	<u>656,550</u>	<u>435,191</u>
Carrying amount of bank borrowings that are repayable within one year and contain a repayment on demand clause	<u>327,594</u>	<u>1,017,643</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS REVIEW

As we embark on 2024, we were witnessing a consistent expansion of the global economy, with the International Monetary Fund (the “IMF”) forecasting a growth rate of 3.2% for the year. The United States of America (the “U.S.”) experienced a gross domestic product (“GDP”) growth of 1.4% and 2.8% in the first and second quarter of 2024, respectively, as reported by the U.S. Bureau of Economic Analysis. In parallel, China reported a GDP growth of 5.0% during the first half of 2024, according to the National Bureau of Statistics of China. This period had also been marked by a resurgence in global activity and international trade, particularly driven by robust exports from Asia. Nevertheless, certain risks continued to impede a swifter recovery of the world economy, including geopolitical tensions and a prolonged high-interest-rate environment. The Federal Reserve had maintained a relatively elevated benchmark rate, reflecting a deceleration and volatility in disinflationary progress.

The textile and garment sector had adeptly navigated this dynamic market landscape. Manufacturers in Asia, especially those in our primary regions of operation, had leveraged the positive export momentum as observed in the first half of 2024. According to China Customs Statistics, textile product exports from China surged by 8.2% in the first half of 2024, as compared to the corresponding period in 2023. Similarly, Vietnam experienced a 4.6% increase in textile and garment exports for the first six months in 2024 as compared to the corresponding period in 2023, as reported by the General Department of Vietnam Customs.

While most consumer brands had been in the later stage of their destocking cycle, we observed rebounded sales orders since the latter part of 2023, driven by a growing confidence in economic recovery and the associated restocking initiatives by our clientele. Such restocking initiatives had resulted in a consistent uptick in sales orders across our diverse customer base throughout the first half of 2024. For the six months ended 30 June 2024, our overall sales revenue totalled approximately HK\$2,385.4 million, representing an increase of approximately 25.1% as compared to the corresponding period in 2023.

With more stable raw material prices and a better utilization of production capacities and leveraging the economies of scale during the Reporting Period, we achieved an overall gross profit of approximately HK\$645.2 million, representing an increase of approximately 60.9% as compared to the corresponding period in 2023. This improvement in profitability also resulted in a gross profit margin of approximately 27.0% of the Group for the first half of 2024, up approximately 6.0 percentage points compared to the first half of 2023.

The profit attributable to owners of the Company amounted to approximately HK\$277.4 million for the Reporting Period, representing an increase of approximately 100.1%, as compared to the six months ended 30 June 2023.

Basic earnings per share was approximately HK26.67 cents for the Reporting Period, representing an increase of approximately 100.1% from approximately HK13.33 cents for the six months ended 30 June 2023.

Our international operations

Our international manufacturing footprint constitutes a pivotal competitive advantage for Best Pacific. We are committed to deliver sustainable supply chain solutions that align with the best interests of our customers – which encompass the reduction in production lead time, and the catering for trade and tariff considerations.

VIETNAM

According to the General Statistics Office of Vietnam, Vietnam achieved a GDP growth of 6.42% in first half of 2024. Despite the export data released by the General Department of Vietnam Customs showed a 4.6% period-on-period growth in first half of 2024 by export value of textile and garment products in Vietnam, our operations in Vietnam had outperformed the market and achieved a more than 30% sales growth in the first half of 2024, mostly credited to the promising performance of our major apparel brand customers placing orders at the site.

SRI LANKA

The textile and apparel export value in Sri Lanka amounted to approximately 2.3 billion United States dollar (“US\$”) in the first half of 2024, which was at a similar level as compared to the corresponding period in 2023, as per the statistics disclosed by Joint Apparel Association Forum of Sri Lanka. Following the completion of capacity expansion at the end of 2023 and improved sales orders from selected customers, our operations in Sri Lanka achieved a more than 40% overall sales growth in the first half of 2024 and such economies of scale had resulted in notable improvements in financial performance of the region.

FINANCIAL REVIEW

Revenue

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

For the six months ended 30 June 2024, revenue amounted to approximately HK\$2,385.4 million, representing an increase of approximately HK\$478.7 million, or approximately 25.1%, from approximately HK\$1,906.7 million for the six months ended 30 June 2023.

A comparison of the Group's revenue for the six months ended 30 June 2024 and the six months ended 30 June 2023 by product categories is as follows:

	Six months ended 30 June		2023		Change	
	2024		Revenue	% of	(HK\$'000)	%
	Revenue (HK\$'000)	% of Revenue	Revenue (HK\$'000)	Revenue	(HK\$'000)	
Elastic fabric	1,889,447	79.2	1,487,165	78.0	402,282	27.1
– Sportswear and apparel	1,301,906	54.6	958,585	50.3	343,321	35.8
– Lingerie	587,541	24.6	528,580	27.7	58,961	11.2
Elastic webbing	468,161	19.6	386,969	20.3	81,192	21.0
Lace	27,800	1.2	32,578	1.7	(4,778)	(14.7)
Total	2,385,408	100.0	1,906,712	100.0	478,696	25.1

Our commitment to innovation and high-quality products continued to resonate with our customers, driving our success in the highly competitive textile sector during the six months ended 30 June 2024.

Our performance in the sportswear and apparel elastic fabric segment was exceptional during the Reporting Period. In the first half of 2024, we achieved remarkable growth, with sales revenue soaring by approximately 35.8%. This translated into an impressive total revenue for the segment of around HK\$1,301.9 million for the six months ended 30 June 2024, reflecting an increase of approximately HK\$343.3 million, as compared to approximately HK\$958.6 million for the six months ended 30 June 2023. This significant growth underscored our ability to meet our customers' intricate demands and highlighted our strong market position in the category, inter alia, the synthetic sportswear and apparel segment.

On the other hand, our lingerie business demonstrated robust growth, driven by a significant increase in sales orders and improved market conditions. For the six months ended 30 June 2024, revenue from lingerie elastic fabric sales reached approximately HK\$587.5 million, representing a notable increase of approximately HK\$59.0 million or 11.2% compared to the same period in 2023. Additionally, sales of elastic webbing experienced remarkable growth, totalling approximately HK\$468.2 million during the Reporting Period. This marked an increase of approximately HK\$81.2 million or 21.0% compared to the six months ended 30 June 2023. Alongside the recovery of the lingerie market, our dedicated marketing efforts raised awareness on our elastic webbing products, driving higher sales volumes. The outstanding results accentuated our competitive advantages and reflected the unwavering trust our customers had in our innovative products and commitment to high-quality standards in the lingerie segments.

Cost of sales, gross profit and gross profit margin

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

For the six months ended 30 June 2024, the Group's cost of sales amounted to approximately HK\$1,740.2 million, representing an increase of approximately HK\$234.5 million or approximately 15.6%, as compared to the six months ended 30 June 2023. The overall increase in cost of sales in the first half of 2024 was primarily due to increase in overall sales revenue.

	Six months ended 30 June			
	2024		2023	
	Gross profit (HK\$'000)	Gross profit margin %	Gross profit (HK\$'000)	Gross profit margin %
Elastic fabric	523,534	27.7	318,365	21.4
Elastic webbing	117,057	25.0	74,427	19.2
Lace	4,571	16.4	8,184	25.1
Overall	645,162	27.0	400,976	21.0

With a better utilization of production capacities and leveraging economies of scale in the first half of 2024, the overall gross profit of the Group increased from approximately HK\$401.0 million for the six months ended 30 June 2023 to approximately HK\$645.2 million for the six months ended 30 June 2024.

Our continuous efforts in streamlining manufacturing processes, enhancing production efficiencies, and the generally stable raw material prices, with which costs represented approximately 37.2% and 34.0% of the overall revenue for the six months ended 30 June 2023 and 2024, respectively, had helped alleviate some of the cost pressures faced by the Group during the Reporting Period.

Other income

The Group's other income mainly consists 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	
	2024 (HK\$'000)	2023 (HK\$'000)
Bank interest income	6,215	8,705
Government grants	3,625	3,746
Net proceeds from sales of scrap materials	4,723	2,795
Others	4,865	3,872
Total	19,428	19,118

The other income of the Group for the six months ended 30 June 2024 amounted to approximately HK\$19.4 million, which was at a similar level compared to the six months ended 30 June 2023. In the context of a high-interest environment, we allocated more cash to repay the Group's overall borrowings. The decrease in bank interest income was primarily due to the lower average bank balances maintained in the first half of 2024. On the other hand, the increase in net proceeds from sales of scrap materials was mainly attributed to the growth in the Group's business scale during the Reporting Period.

Other gains and losses

Other gains and losses in the six months ended 30 June 2024 mainly consisted of a net foreign exchange gain of approximately HK\$20.4 million (for the six months ended 30 June 2023: approximately HK\$24.3 million), as a result of the general appreciation of the US\$ against the Renminbi ("RMB") and the Vietnam Dong ("VND") during the Reporting Period.

Selling and distribution expenses

Selling and distribution expenses primarily consist of employee benefit expenses, transportation, marketing and promotional expenses and other selling and distribution expenses. For both six months ended 30 June 2023 and 2024, the Group's selling and distribution expenses represented approximately 4.3% of its total revenue.

Administrative expenses

Administrative expenses primarily consist of employee benefit expenses, depreciation, motor vehicle expenses, bank charges and other administrative expenses. The increase in the overall administrative expenses in the first half of 2024 was mainly attributable to the expansion in business scale and increase in employee benefit expenses. For the six months ended 30 June 2023 and 2024, the Group's administrative expenses represented approximately 6.5% and 6.9% of its total revenue, respectively.

Research and development costs

The Group is dedicated to catering to the changing market preferences by introducing innovative lingerie, sportswear and apparel materials. For both six months ended 30 June 2023 and 2024, the Group's research and development costs represented approximately 2.1 % of its total revenue.

Finance costs

The Group's finance costs mainly represent interest expenses for bank and other borrowings and lease liabilities. The finance costs decreased by approximately 26.1% from approximately HK\$59.1 million for the six months ended 30 June 2023 to approximately HK\$43.7 million for the six months ended 30 June 2024. The decrease in finance costs during the six months ended 30 June 2024 was primarily due to the lowered debt level of the Group in general during the Reporting Period.

Income tax expense

Taxation arising in a jurisdiction is calculated at the rate prevailing in the relevant jurisdiction. For the six months ended 30 June 2024, the income tax expense amounted to approximately HK\$41.1 million, as compared to approximately HK\$19.3 million for the six months ended 30 June 2023.

The effective tax rate of the Group was approximately 12.7% for the six months ended 30 June 2024 (for the six months ended 30 June 2023: approximately 14.0%). The decrease in effective tax rate in the Reporting Period was mainly due to the increase in profits contribution from our subsidiaries in Vietnam and Sri Lanka, which were currently enjoying preferential profit tax treatment.

Net profit and net profit margin

Net profit for the six months ended 30 June 2024 of the Group amounted to approximately HK\$283.2 million, representing an increase of approximately 138.6% as compared to approximately HK\$118.7 million for the six months ended 30 June 2023. The Group recorded a net profit margin of approximately 11.9% for the six months ended 30 June 2024, which represented an increase of approximately 5.7 percentage points as compared to approximately 6.2% for the six months ended 30 June 2023. The increase in net profit and net profit margin was mainly due to the increase in gross profit and the decrease in finance costs for the six months ended 30 June 2024.

Liquidity, financial resources and bank borrowings

As at 30 June 2024, net working capital (calculated as current assets less current liabilities) was approximately HK\$1,157.3 million, representing an increase of approximately HK\$379.0 million, as compared to approximately HK\$778.3 million as at 31 December 2023. The current ratio (calculated as current assets divided by current liabilities) was at 1.7 times as at 30 June 2024, as compared to 1.4 times as at 31 December 2023.

The Group had earnings before interest, tax, depreciation and amortisation (“**EBITDA**”, calculated as profit for the period adding back finance costs, income tax expense and depreciation) for the six months ended 30 June 2024 of approximately HK\$598.1 million (for the six months ended 30 June 2023: approximately HK\$387.7 million). The increase in EBITDA was mainly due to the increase in net profits during the Reporting Period.

For the six months ended 30 June 2024, net cash generated from operating activities was approximately HK\$304.8 million, as compared to approximately HK\$385.9 million for the six months ended 30 June 2023. The decrease was mainly due to the increase in amount of inventories and trade receivables as of 30 June 2024, which was attributed to the general increase in sales and production volume, as well as early repayment for payables to take advantage of early repayment discounts.

Net cash used in investing activities amounted to approximately HK\$120.4 million for the six months ended 30 June 2024, as compared to approximately HK\$59.2 million for the six months ended 30 June 2023. To achieve our long term development goal and to cater for potential business growth in the future, we paid approximately HK\$149.4 million to purchase property, plant and equipment during the Reporting Period.

For the six months ended 30 June 2024, net cash used in financing activities amounted to approximately HK\$350.3 million, as compared to approximately HK\$434.4 million for the six months ended 30 June 2023. The cash used in financing activities for the six months ended 30 June 2024 was mainly used for the repayment of borrowings and interests.

As at 30 June 2024, the Group’s net gearing ratio was approximately 11.6% (as at 31 December 2023: approximately 15.0%), which was calculated on the basis of the amount of net debt position (sum of total bank and other borrowings, 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\$394.0 million as at 30 June 2024, as compared to approximately HK\$498.8 million as at 31 December 2023.

Working capital management

As a result of our tightened credit risk management and a more punctual settlement of payments by our customers in general, the trade and bills receivables turnover days was approximately 58.1 days for the six months ended 30 June 2024, as compared to approximately 60.5 days for the year ended 31 December 2023. The inventory turnover days was approximately 107.7 days for the six months ended 30 June 2024, as compared to approximately 122.4 days for the year ended 31 December 2023. The decrease in inventory turnover days was mainly due to better inventory control during the Reporting Period. On the other hand, the trade and bills payables turnover days was approximately 62.3 days for the six months ended 30 June 2024, as compared to approximately 66.0 days for the year ended 31 December 2023. To take the benefits of the lowered costs of raw materials as a result of early repayment, the Group also recorded a decrease in trade and bills payables turnover days during the Reporting Period.

Capital expenditures

For the six months ended 30 June 2024, total additions to property, plant and equipment amounted to approximately HK\$164.4 million (for the six months ended 30 June 2023: approximately HK\$128.5 million), which was mainly attributed to the additions to construction in progress of approximately HK\$120.7 million (for the six months ended 30 June 2023: approximately HK\$111.2 million) and the additions to machinery of approximately HK\$36.6 million (for the six months ended 30 June 2023: approximately HK\$16.0 million), in order to complete the overseas expansion projects as planned.

Pledge of assets

As at 30 June 2024, the Group pledged bank deposits of approximately HK\$74.7 million (as at 31 December 2023: approximately HK\$88.0 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, VND and Sri Lankan Rupee ("LKR"). Any significant exchange rate fluctuations of these foreign currencies against US\$ and HK\$ may have had financial impact on the Group. 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 Mainland China, respectively, as well as 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 Mainland China, Vietnam and Sri Lanka, respectively.

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 incentives granted to eligible employees under the share award scheme and share option scheme of the Company from time to time. The Group will continue to provide regular training and competitive remuneration packages to its staff.

As at 30 June 2024, the Group employed a total of 10,683 full-time employees (as at 31 December 2023: 9,604). The increase in the number of employees was mainly due to the overall Group's capacity expansion.

Contingent liabilities

As at 30 June 2024, the Group did not have any significant contingent liabilities.

Events after the Reporting Period

Save as disclosed elsewhere in this announcement, there had been no events that had significant impacts on the Group after the Reporting Period and up to the date of this announcement.

SUSTAINABILITY AND DEVELOPMENT

Best Pacific has always recognized environmental, social and governance as a core element of its development. Best Pacific is dedicated to endorsing the United Nations 2030 Agenda for Sustainable Development and its Sustainable Development Goals (“SDGs”), which provide a collective framework for fostering peace and prosperity for both humanity and the planet. The SDGs serve as a catalyst for taking proactive steps towards a more sustainable future. Our commitment to upholding rigorous standards, adopting environmentally friendly practices, and making significant contributions to society drives our pursuit of these objectives.

We place great emphasis on our product quality and services. Our core value “Built on Innovation and Technology” remains the foundation and the vision of the Group and we continue to devote resources to developing new products to meet the market demands. Through its dedication to research and development, the Group has developed a diversified portfolio of high-performance lingerie, sportswear and apparel materials, which are blended with quality, comfort and functionalities. Best Pacific has continued to reinforce its long-term and close collaborations with leading global lingerie brands, as well as international sportswear and apparel brands. The Group is committed to obtaining and maintaining ISO9001 certification through continuous improvement to provide quality products and services that meet customer needs. We also strictly abide by national laws and regulations and industry quality standards in our operations, improve quality management levels, and protect the rights and interests of our customers.

We strictly adhere to all relevant laws and regulations in all aspects of our production and operations. Furthermore, we aim at putting efforts into making a better world by creating a green manufacturing environment through a series of measures. Over the years, we gradually reduced the use of fossil fuels by reducing the use of coal by using more green energy sources and biomass fuel to reduce greenhouse gas emissions. We also installed rooftop photovoltaic power panels to reduce purchased electricity. On the other hand, we installed water-saving equipments such as low liquor ratio dyeing machines to increase the reuse of discharged water and reverse osmosis water, thereby reducing the consumption of fresh water in our production. Notwithstanding regular internal environmental protection assessments, we also arrange for third-party organizations to review environmental-related and social-related matters regularly. We obtained the Bluesign® Standard certification, which is recognised as one of the most stringent environmental standards for textile products. This certification signifies the environmental protection and safety of the entire production chain, including environmental certifications for consumers, production workers, and waste discharge. All of our factories have also adopted the Higg Facility Environmental Module (“FEM”) as a standardised environmental assessment with our verified FEM scores well above the industry median.

PROSPECTS AND FUTURE STRATEGIES

According to the IMF in its World Economic Outlook Update published in July 2024, global GDP is projected to grow at a rate of 3.2% in 2024 and 3.3% in 2025. This optimistic forecast is accompanied by expectations of a recovery in world trade growth, anticipated to reach approximately 3.25% annually during the period from 2024 to 2025, alongside a gradual decline in global inflation. Such trends are expected to provide a conducive environment for international commerce and investment. However, persistent geopolitical tensions and the potential significant shifts in economic policies stemming from upcoming elections this year present notable risks and uncertainties that can hinder trajectory of the global economic recovery. Nonetheless, we maintain a cautious yet optimistic outlook on the global economic landscape for the remainder of the year, which is typically the peak season for our industry, as well as for the medium and long term. We believe that the resilience of the markets, coupled with adaptive strategies and innovation, will enable us to navigate these uncertainties effectively. Furthermore, the ongoing digital transformation and the growing emphasis on sustainability present opportunities for businesses to redefine their operational models. As we look ahead, we remain committed to leveraging these trends to enhance our competitive advantage and drive sustainable growth.

Sportswear and apparel markets

The sportswear and apparel segment has been a pivotal driver of growth for our Group over the years. The robust resurgence in sales revenue from our elastic fabric offerings to sportswear and apparel customers in the first half of 2024 underscores both the immense market potential and our capability to capitalize on emerging opportunities through innovation and premium products. Best Pacific firmly believes that innovation and technological advancements are essential to achieving sustainable growth in the future. We are committed to allocating resources strategically to enhance our research and development capabilities, ensuring that we meet our customers' increasing demand for innovative sportswear and apparel products. Our strategic emphasis lies in cultivating stronger, mutually beneficial partnerships with our esteemed apparel brand customers, fostering collaboration and synergy to adeptly navigate the evolving market landscape.

International footprint and capital expenditure

As of 30 June 2024, the overall annual designed production capacities of elastic fabric, elastic webbing and lace of the Group were approximately 253.8 million meters, 1,950.2 million meters and 45.0 million meters, respectively. Our international footprint serves as one of our key competitive advantages. While we have adopted a more cautious stance in evaluating capital investments over the past few years, Best Pacific remains steadfast in our commitment to a multi-location manufacturing strategy. We have been systematically enhancing the operational efficiencies of our overseas manufacturing facilities in Vietnam and Sri Lanka, resulting in significant financial improvements for our international subsidiaries during the Reporting Period. Moving forward, we will continue to prioritize further enhancements in operational efficiency across our production sites to best serve the interests of our customers.

During the Reporting Period, we observed improvements in both sales orders and capacity utilization at our core manufacturing locations. We anticipate this positive trend will extend into the latter half of the year, supported by a stable and recovering economic environment. Alongside prudent risk management practices in place, we will continue to actively evaluate the feasibility of expanding our manufacturing capacities in Vietnam as well as other geographical locations, in order to accommodate potential growth in sales demand from our export customers in the medium to long term.

We believe that our world-class innovation capabilities, extensive international footprint, strong partnerships with customers, talented people and robust financial position have established a solid foundation for Best Pacific's sustainable growth and future success.

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 2024.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the three independent non-executive Directors (being Mr. Cheung Yat Ming, Mr. Kuo Dah Chih, Stanford and Mr. Lam Yin Shing, Donald), has reviewed with the management the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2024 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 2024 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 HK13.33 cents per ordinary share of the Company for the six months ended 30 June 2024 (the “**Interim Dividend**”). The Interim Dividend is expected to be paid on Friday, 4 October 2024 to all shareholders whose names appear on the register of members of the Company on Monday, 16 September 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 12 September 2024 to Monday, 16 September 2024 (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, 11 September 2024.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is of the view that throughout the six months ended 30 June 2024, the Company had complied with the code provisions as set out in the Corporate Governance Code contained in Appendix C1 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, 27 August 2024

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. Kuo Dah Chih, Stanford* and Mr. Lam Yin Shing, Donald*.*

* *Independent non-executive Director*