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Best Pacific International Holdings Limited 超盈國際控股有限公司

Stock Code 股份代號: 2111

Section 1 **RESULTS REVIEW**

Financial highlights

		1H2022*	1H2021*	Change
		(HK\$ million) (unaudited)		(%)
Revenue		2,278.5	2,076.3	9.7%
Gross profit		456.1	507.0	(10.0%)
Net profit attributable to owners of the Company		168.4	175.2	(3.9%)
Net profit		167.9	168.7	(0.5%)
	2H2021**	1H2022	1H2021	Change
Gross profit margin	22.3%	20.0%	24.4%	-4.4% pts
Net profit margin	8.6%	7.4%	8.1%	-0.7% pt
		1H2022	1H2021	Change
		(HK cents)	(HK cents)	(%)
Earnings per share		16.19	16.85	(3.9%)
Dividend				
- Interim		7.28	7.5	(2.9%)
- Final		N/A	11.8	N/A
- Full year		N/A	19.3	N/A

^{* 1}H2022 and 1H2021 referred to the six months ended 30 June 2022 and 2021 respectively.

^{** 2}H2021 referred to the six months ended 31 December 2021.

Revenue – by product categories

	1H2022		1H2021		Change
	(HK\$ million)	(% of revenue)	(HK\$ million)	(% of revenue)	(%)
Elastic fabric	1,720.7	75.5%	1,544.2	74.4%	11.4%
- Sportswear and apparel	1,046.7	45.9%	983.4	47.4%	6.4%
- Lingerie	674.0	29.6%	560.8	27.0%	20.2%
Elastic webbing	519.3	22.8%	488.4	23.5%	6.3%
Lace	38.5	1.7%	43.7	2.1%	(12.0%)
Total	2,278.5	100.0%	2,076.3	100.0%	9.7%

Revenue

Overall

- Revenue for 1H2022 increased by approximately 9.7% period-on-period to approximately HK\$2,278.5 million
- Leveraging on its high product quality, strong customer ... base, multi-region production advantage, and the customers' support in product price adjustments to cope with a portion of the increase in costs of production, the Group's revenue managed to continue its growth during 1H2022

Elastic webbing

- Revenue for 1H2022: approximately HK\$519.3 million
- Increased by approximately 6.3% period-on-period
- A moderate growth in the elastic webbing segment by seizing more market share from our core customers





Elastic fabric

- Revenue 1H2022: approximately HK\$1,720.7 million
- Increased by approximately 11.4% period-onperiod
- With the continuous penetration among the existing lingerie customers, we were able to register an encouraging segment growth of approximately 20.2% period-on-period
- The Group had successfully entered into certain new core programmes with partnering brands in the sportswear and apparel business segment. Specifically, the domestic sales revenue of our sportswear and apparel fabric products increased by approximately HK\$37.2 million to HK\$134.9 million for the six months ended 30 June 2022, as compared to the corresponding period in 2021
- Despite the encouraging growth in the domestic market, the elastic fabric segment growth in the overseas market was dragged by certain overseas brand customers who had taken a more conservative approach to control their respective inventory levels

Gross profit and gross profit margin



- The Group's gross profit was approximately HK\$456.1 million for the six months ended 30 June 2022
- The decrease in gross profit and gross profit margin was mainly due to the high unit raw materials prices throughout the six months ended 30 June 2022

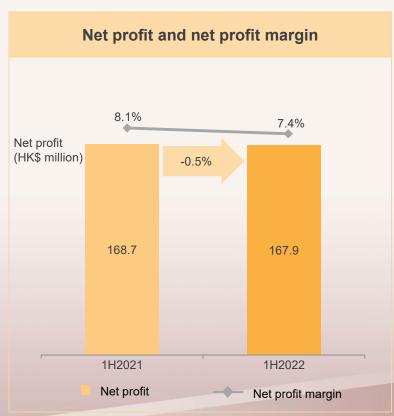
Gross profit margin by segment				
	1H2022	1H2021	Change	
Overall	20.0%	24.4%	-4.4% pts	
Elastic Fabric	18.0%	21.9%	-3.9% pts	
Elastic Webbing	25.3%	31.2%	-5.9% pts	
Lace	36.5%	39.7%	-3.2% pts	



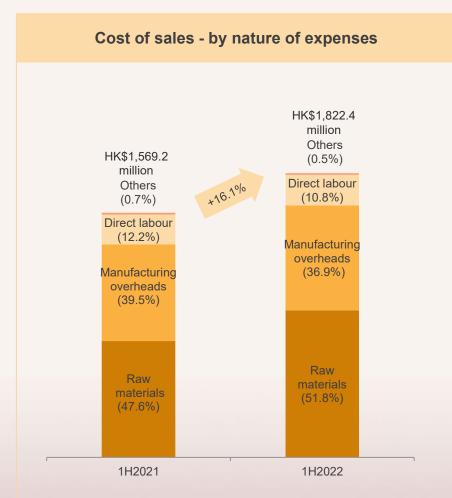
Net profit and net profit margin

Historical net profit margin of the Group					
	FY2018	FY2019	FY2020	FY2021	FY2022
First half	7.6%	7.6%	5.5%	8.1%	7.4%
Second half	9.5%	8.7%	8.2%	8.6%	?
Full year	8.7%	8.2%	7.1%	8.4%	?

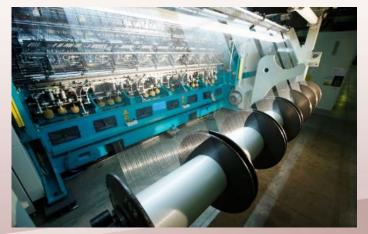
- Net profit of the Group for 1H2022 decreased by approximately 0.5% to approximately HK\$167.9 million (1H2021: approximately HK\$168.7 million)
- Net profit margin of the Group for 1H2022 decreased to approximately 7.4% from approximately 8.1% in 1H2022, which was mainly attributable to the decrease in gross profit for the six months ended 30 June 2022. Such impact was partly alleviated by:
 - the increase in other gains and losses as a result of the depreciation of Reminbi, Vietnam Dong and Sri Lankan Rupee;
 - better control in selling and distribution and administrative expenses; and
 - the reversal of remeasurement of credit loss allowance for trade receivables



Cost of sales



- Cost of sales during 1H2022 amounted to approximately an increase of HK\$1,822.4 million, representing approximately 16.1% period-on-period, mainly due to the increase in cost of raw materials, with the relevant contribution to the overall cost of sales elevating to approximately 51.8% during 1H2022
- Our raw materials were mainly synthetic materials or oil byproducts. Therefore, the relevant unit prices were by large correlated to the oil prices, which had generally been on the rise since 2021 and had reached its recent highs in the second quarter of 2022
- During 1H2022, we have strived to streamline our production processes and enhance our efficiencies so as to curb the increasing labour and utility costs across all manufacturing locations



Liquidity and financial resources - EBITDA



EBITDA – Earnings before interests, taxes, depreciation and amortisation

Liquidity and financial resources – net debt and cash on hand



(HK\$ million)	As at 30 June 2022	As at 31 December 2021
Pledged bank deposits	84.5	121.6
Short term bank deposits	195.3	163.8
Bank balances and cash	890.5	898.9
Net working capital (Current assets less current liabilities)	545.5	815.2
Total bank, other borrowings and bank overdrafts	(2,127.1)	(2,160.4)
Net debt position (Sum of total bank and other borrowings and bank overdrafts, less bank deposits and bank balances and cash)	956.7	976.1

Cash flow position and capital expenditure

	1H2022 (HK\$ million)	1H2021 (HK\$ million)
Net cash from operating activities	274.8	255.9
Net cash used in investing activities	(198.9)	(97.0)
Net cash used in financing activities	(41.0)	(13.6)

- In order to cope with the Group's overall business expansion, total additions to property, plant and equipment amounted to approximately HK\$206.6 million in 1H2022 (1H2021: approximately HK\$104.1 million), which was mainly attributed to:
 - the additions to construction in progress of approximately HK\$145.1 million (1H2021: approximately HK\$51.9 million)
 - the additions to machinery of approximately HK\$54.8 million (1H2021: approximately HK\$18.4 million)

Dividend payout



The Board has resolved to declare interim dividend of HK7.28 cents for the six months ended 30 June 2022

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Section 2

BUSINESS HIGHLIGHTS



🕻 International footprint

- Pioneer and advocate in the industry who have made substantial investments under the internationalization plan
- Ability to move swiftly amid the unpredictable impact from the pandemic

Market penetration – sportswear and apparel

- Enormous market potential in sportswear and apparel materials markets
- Achieved high growth since the official launch in 2012 and accounted for approximately 60.8% of the sales revenue from the elastic fabric segment in 1H2022, CAGR approximately 45.5%

Close collaboration with brands

- Close collaboration with renowned international apparel brands
- Established and deepened its partnership with the world's leading sportswear and apparel brands

One-stop solutions strategy

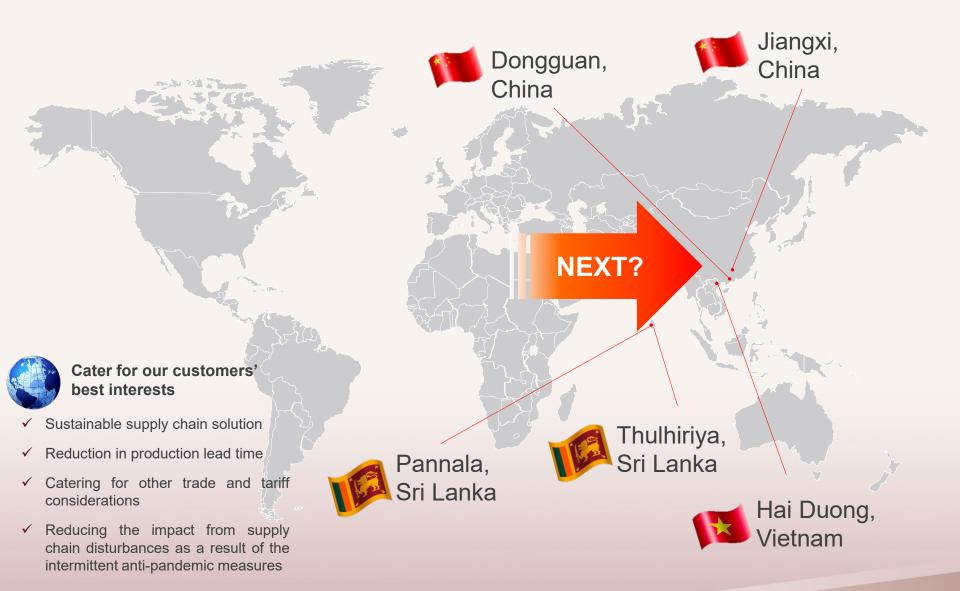
 A comprehensive product portfolio, comprising of elastic fabric, elastic webbing and lace

Innovation and Research and Development

 Provided customers with unique value-added innovations and strategically enriched their new products offering

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International footprint

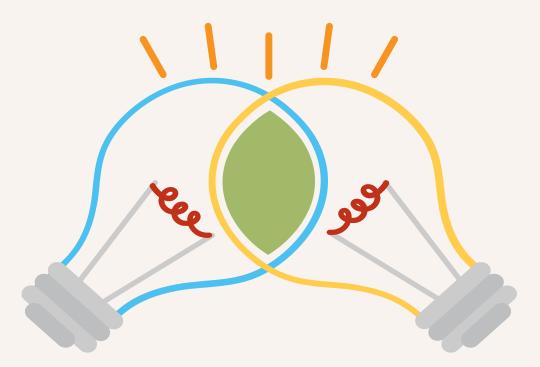


Market penetration – sportswear and apparel





Strengthened one-stop solutions strategy





Helping customers to achieve

- More simplified procurement process
- ✓ Synchronisation of colors for different components within a lingerie product
- ✓ Shorter inventory cycle and production lead time
- ✓ Help garment customers to expand into sportswear and apparel segments



Helping Best Pacific to achieve

- ✓ Growth in sales
- ✓ Product bundling with several products being offered for sale to the same customer
- ✓ Benefits from economies of scale

Enhanced innovation and R&D capabilities



Strong R&D capabilities

- R&D team consists of over 150 technicians who have been offered technical training on a periodic basis
- Obtained qualification as a High and New Technology Enterprise in China since 2010



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Strategic competitiveness

- Developed tailor-made innovative materials based on market trends and customer needs
- New growth drivers through expanding into new product categories by leveraging on the competitive edge of the Group's innovation and R&D capabilities



Continous investment

- Invested approximately 2%-3% of its revenue in R&D annually
- Established Best Pacific Institute of Technology and Research in June 2016

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THANK YOU

Best Pacific's innovations

