

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

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號: 2111

2022 Annual Results Corporate Presentation

*BUILT ON
INNOVATION &
TECHNOLOGY*

27 March 2023

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Section 1

RESULTS REVIEW

Financial highlights

		FY2022*	FY2021*	Change	
		(HK\$ million) (Audited)		(%)	
Revenue		4,492.8	4,792.7	(6.3%)	
Gross profit		849.9	1,111.8	(23.6%)	
Net profit attributable to owners of the Company		299.2	401.8	(25.5%)	
Net profit		283.5	401.3	(29.4%)	
		1H2022**	FY2022	FY2021	Change
Gross profit margin		20.0%	18.9%	23.2%	-4.3% pts
Net profit margin		7.4%	6.3%	8.4%	-2.1% pts
		FY2022	FY2021	Change	
		(HK cents)	(HK cents)	(%)	
Earnings per share		28.77	38.64	(25.5%)	
Dividends					
- Interim		7.28	7.5	(2.9%)	
- Final		4.22	11.8	(64.2%)	
- Full year		11.5	19.3	(40.4%)	

* FY2022 and FY2021 referred to the years ended 31 December 2022 and 2021 respectively.

** 1H2022 referred to the six months ended 30 June 2022.

Revenue – by product categories

	FY2022		FY2021		Change
	(HK\$ million)	(% of revenue)	(HK\$ million)	(% of revenue)	(%)
Elastic fabric	3,439.0	76.6%	3,622.7	75.6%	(5.1%)
- Sportswear and apparel	2,146.5	47.8%	2,438.9	50.9%	(12.0%)
- Lingerie	1,292.5	28.8%	1,183.8	24.7%	9.2%
Elastic webbing	977.5	21.7%	1,080.2	22.5%	(9.5%)
Lace	76.3	1.7%	89.8	1.9%	(15.1%)
Total	4,492.8	100.0%	4,792.7	100.0%	(6.3%)

Revenue

❖ Overall

- Revenue decreased by approximately 6.3% year-on-year to approximately HK\$4,492.8 million
- Our sales revenue was inevitably affected by the weakening global economies and the more conservative approach in order placement as taken by most of our brand customers, to control their inventory levels towards the second half of 2022

❖ Elastic webbing

- Revenue: approximately HK\$977.5 million
- Decreased by approximately 9.5% year-on-year
- Revenue from the sales of elastic webbing was negatively affected by the overall lukewarm market condition for the industry in the latter half of the year



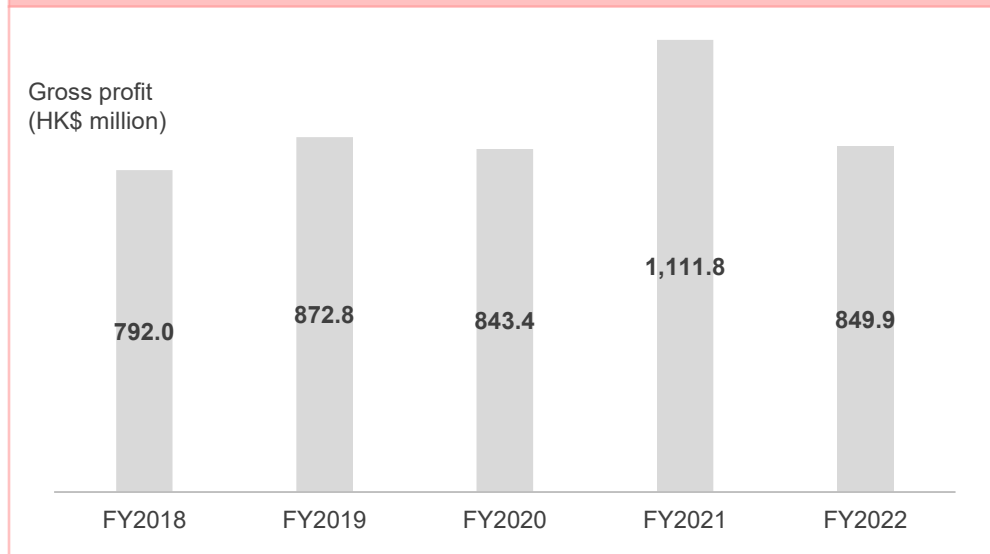
Elastic fabric

- Revenue: approximately HK\$3,439.0 million
- Decreased by approximately 5.1% year-on-year
- Our elastic fabric business was further dragged by a few selected customers
- Sales revenue of elastic fabric to our sportswear and apparel customers decreased by approximately 12.0% in 2022 due to a relatively challenging macroeconomic environment
- Approximately 11.2% growth in domestic sales revenue of our sportswear and apparel fabric products was maintained in 2022
- A steady growth of revenue of elastic fabric to our lingerie customers by approximately 9.2% due to continuous penetration among existing lingerie customers



Gross profit and gross profit margin

Historical gross profit

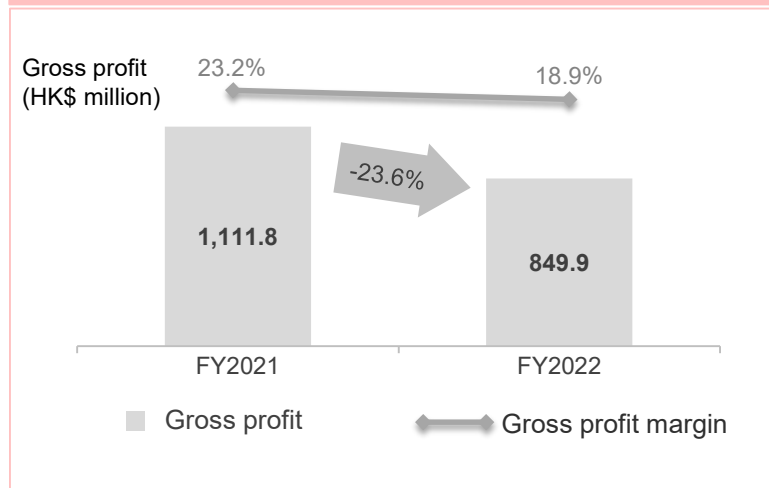


Gross profit margin by segment

	FY2022	FY2021	Change
Overall	18.9%	23.2%	-4.3% pts
Elastic Fabric	17.3%	20.1%	-2.8% pts
Elastic Webbing	23.3%	32.2%	-8.9% pts
Lace	34.8%	40.3%	-5.5% pts

- ❖ Decrease in gross profit and gross profit margin was mainly due to:
 - decrease in sales revenue in the second half of 2022 and the associated diseconomies of scale; and
 - the generally higher unit raw materials prices throughout most of the year

Gross profit and gross profit margin

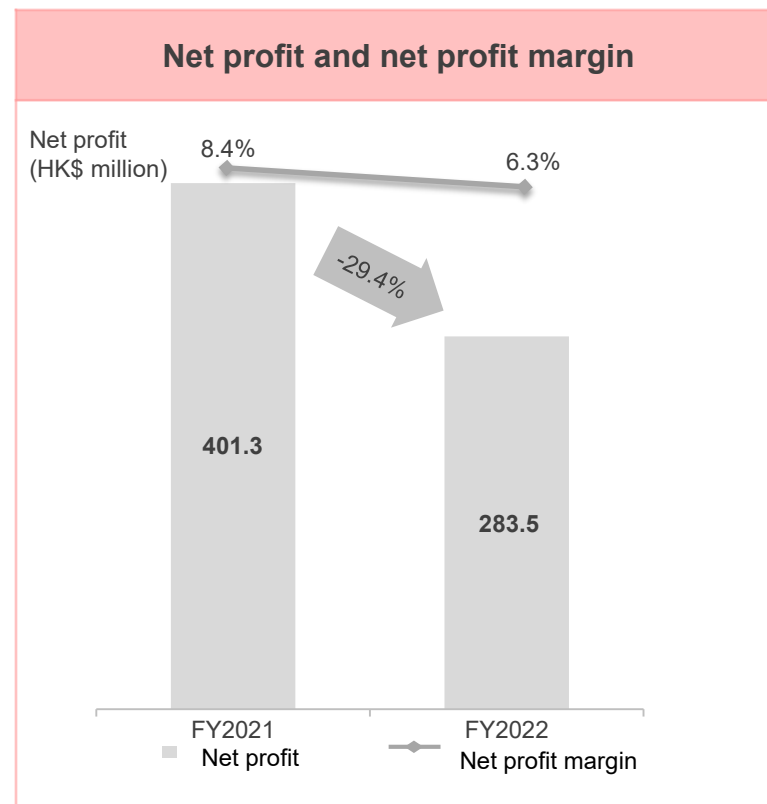


Net profit and net profit margin

Historical net profit margin of the Group

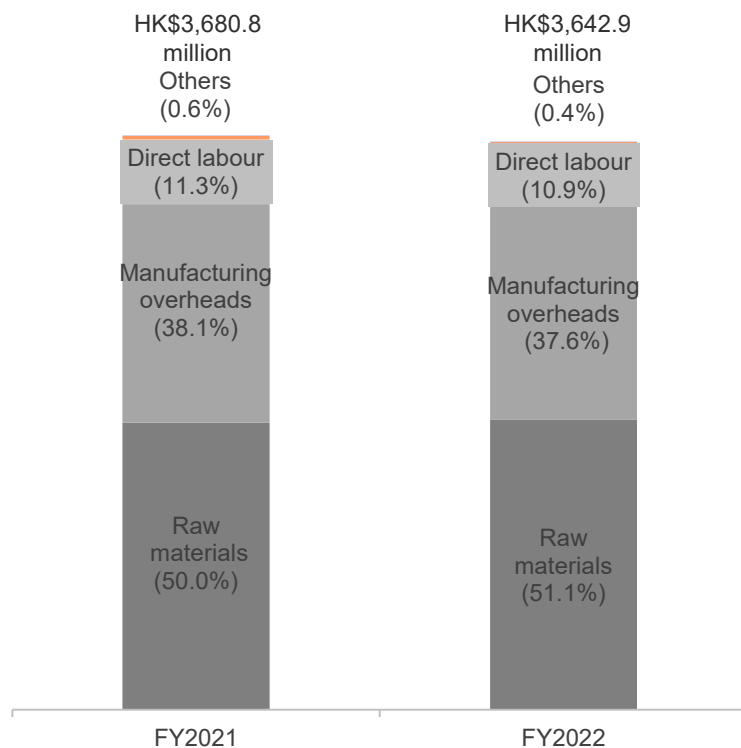
	2018	2019	2020	2021	2022
First half	7.6%	7.6%	5.5%	8.1%	7.4%
Second half	9.5%	8.7%	8.2%	8.6%	5.2%
Full year	8.7%	8.2%	7.1%	8.4%	6.3%

- ❖ Net profit of the Group for 2022 decreased by approximately 29.4% to approximately HK\$283.5 million (2021: approximately HK\$401.3 million)
- ❖ Net profit margin of the Group for 2022 decreased to approximately 6.3% from approximately 8.4% in 2021, which was mainly attributable to:
 - The decrease in gross profit for the year ended 31 December 2022 and the sharp increase in finance costs as a result of the steep ascending interest rates in the second half of the year
 - Such impact was partly alleviated by (i) the increase in net foreign exchange gain in other gains and losses as a result of the currency depreciation of RMB, VND and LKR; (ii) better control in selling and distribution and administrative expenses; and (iii) the reversal of remeasurement of credit loss allowance for trade receivables



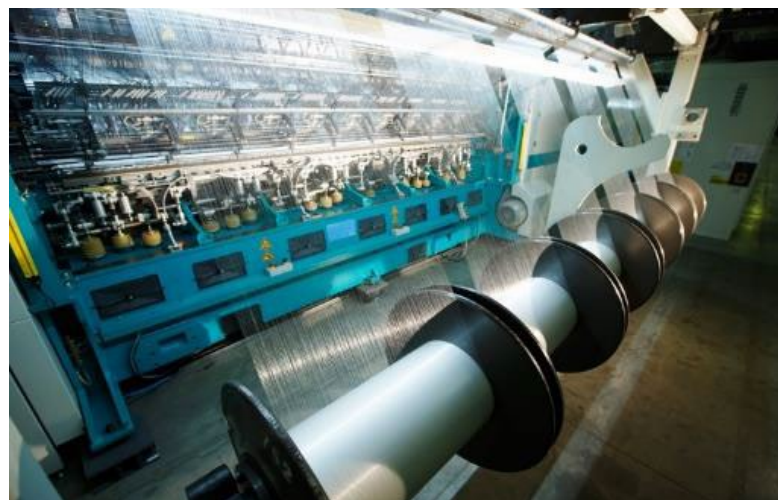
Cost of sales

Cost of sales - by nature of cost

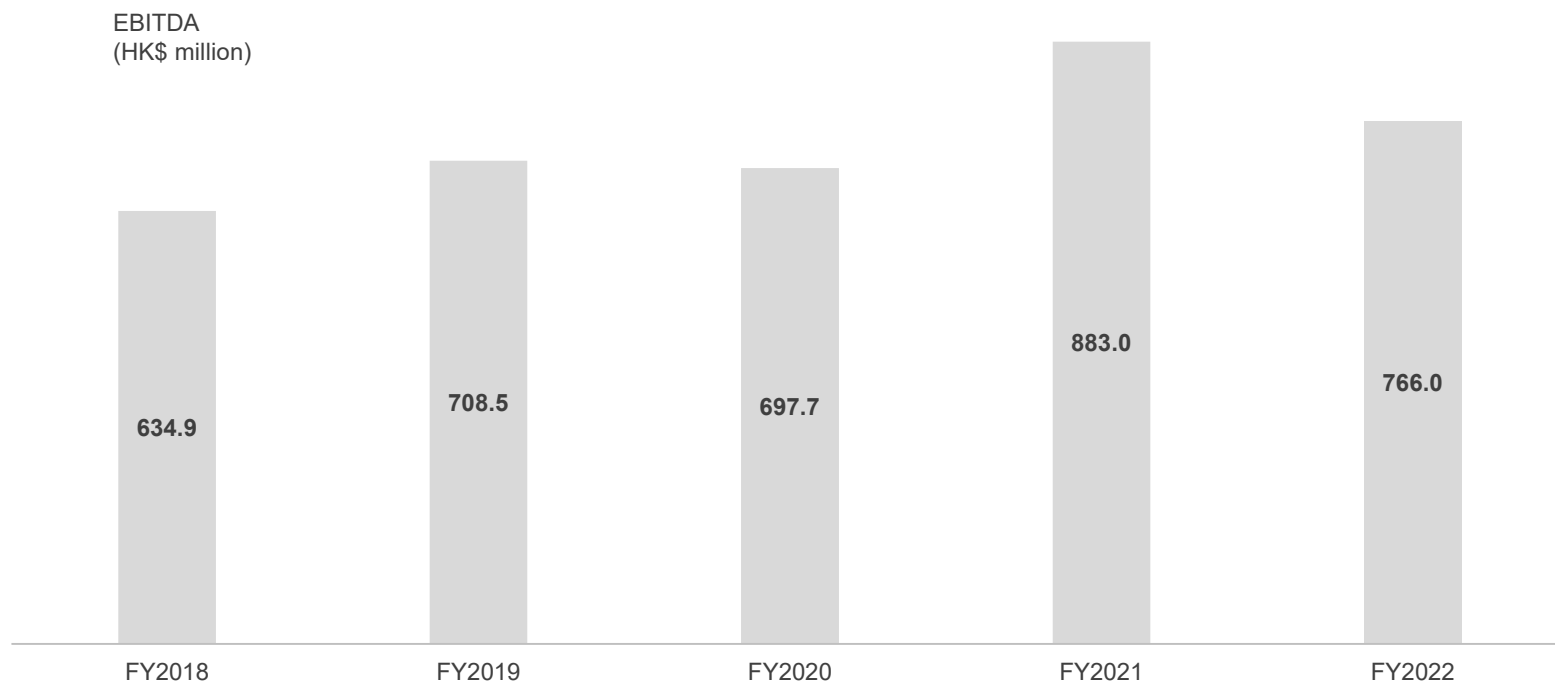


❖ Costs of sales of the Group in 2022 amounted to approximately HK\$3,642.9 million, representing a decrease of approximately 1.0% year-on-year, mainly due to:

- The decrease in overall sales revenue
- The cost of raw materials increased by 1.1% to HK\$1,861.7 million for the year ending 31 December 2022. Our raw materials were mainly synthetic materials or oil by-products and the relevant unit prices were by large correlated to the oil prices, which had generally been at a high level throughout most of 2022



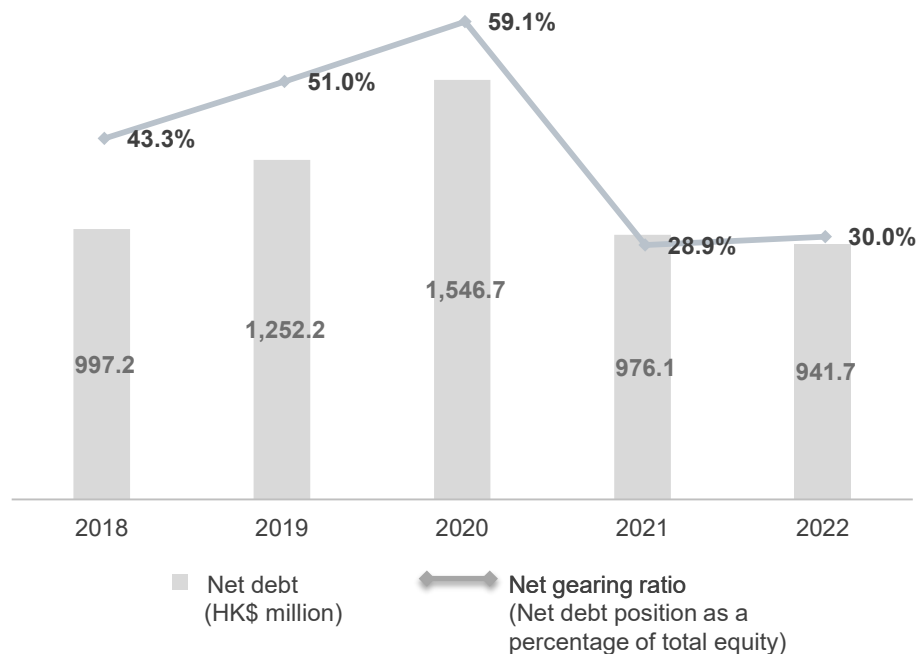
Liquidity and financial resources - EBITDA



EBITDA – Earnings before interests, taxes, depreciation and amortisation

Liquidity and financial resources – net debt and cash on hand

Net debt gearing ratio



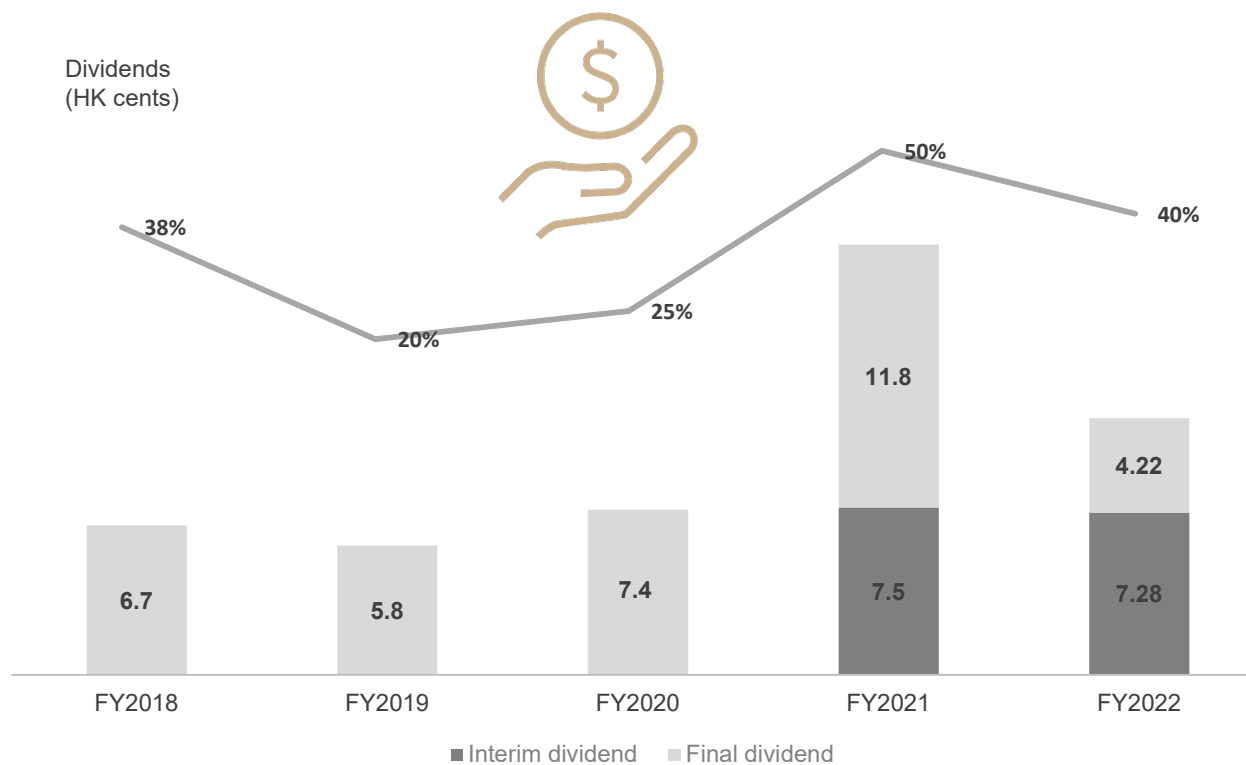
(HK\$ million)	As at 31 December 2022	As at 31 December 2021
Pledged bank deposits	68.4	121.6
Short term bank deposits	36.9	163.8
Bank balances and cash	1,051.2	898.9
Net working capital (Current assets less current liabilities)	178.1	815.2
Total bank, other borrowings and bank overdrafts	(2,098.2)	(2,160.4)
Net debt position (Sum of total bank and other borrowings and bank overdrafts, less bank deposits and bank balances and cash)	941.7	976.1

Cash flow position and capital expenditure

	FY2022 (HK\$ million)	FY2021 (HK\$ million)
Net cash from operating activities	773.6	522.7
Net cash used in investing activities	(174.2)	(414.3)
Net cash used in financing activities	(377.5)	(363.9)

- ❖ In order to cope with the Group's overall business expansion, total additions to property, plant and equipment amounted to approximately HK\$387.2 million in 2022 (2021: approximately HK\$230.6 million), which was mainly attributed to:
 - the additions to construction in progress of approximately HK\$282.4 million (2021: approximately HK\$139.6 million)
 - the additions to machinery of approximately HK\$90.9 million (2021: approximately HK\$67.9 million)
 - the additions to computer and office equipment and machinery of approximately HK\$4.4 million (2021: approximately HK\$14.3 million)

Dividends payout



- ❖ The Board has resolved to declare a final dividend of HK4.22 cents per share for the year ended 31 December 2022

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Section 2

BUSINESS HIGHLIGHTS



International footprint

- Pioneer and advocate in the industry who had made substantial investments in internationalization plan
- Provide sustainable supply-chain solutions to cater for the best interests of our customers



Market penetration – sportswear and apparel

- Fundamentals of the sportswear and apparel industry remain strong
- Accounted for approximately 62.4% of the elastic fabric business in 2022
- To proactively seize growth opportunities as the market recovers



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

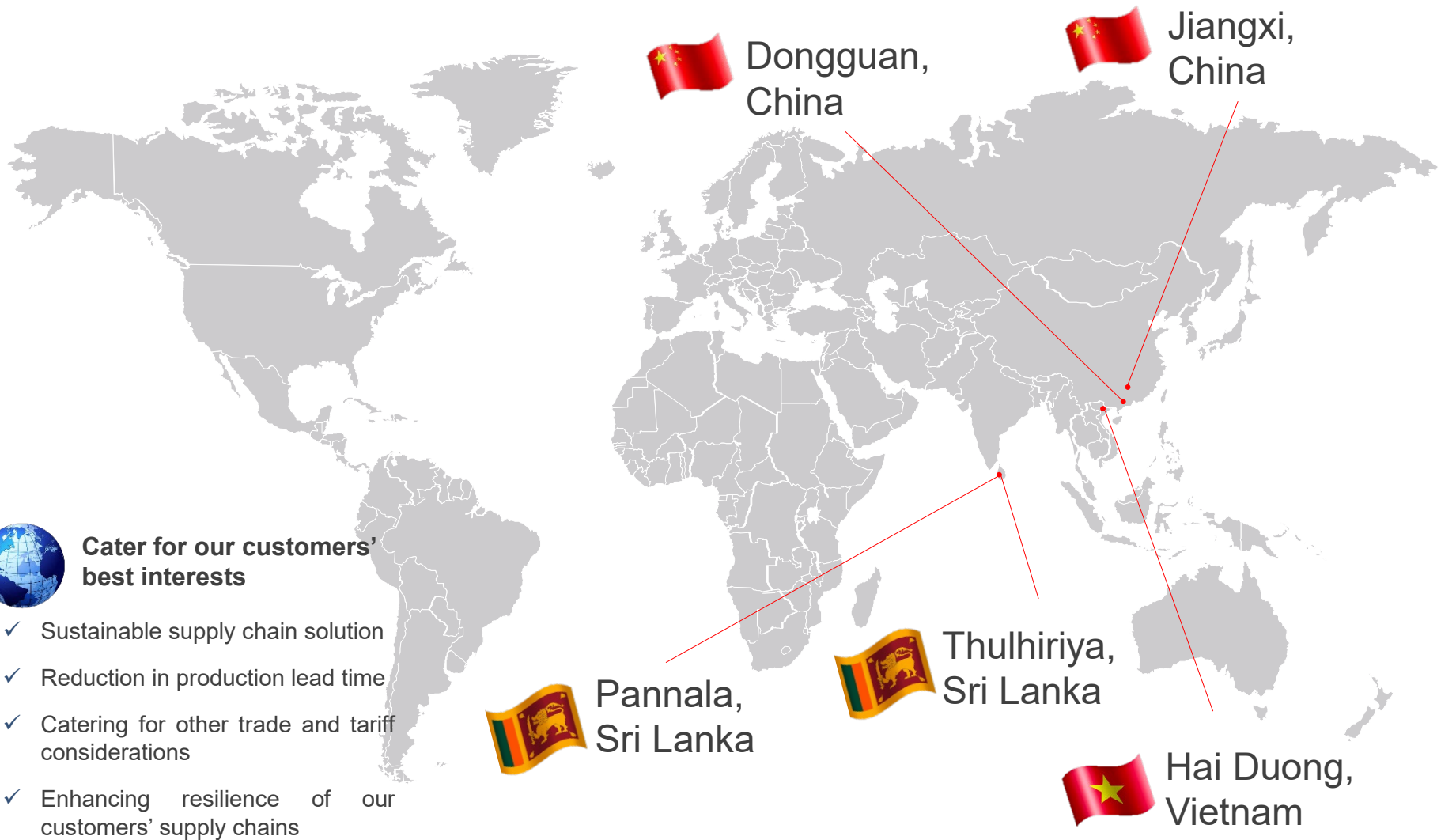
- A comprehensive product portfolio, comprising of elastic fabric, elastic webbing and lace



Innovation and Research and Development

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

International footprint



Cater for our customers' best interests

- ✓ Sustainable supply chain solution
- ✓ Reduction in production lead time
- ✓ Catering for other trade and tariff considerations
- ✓ Enhancing resilience of our customers' supply chains

Market penetration – sportswear and apparel

- ❖ Collaboration with well-known international sportswear and apparel brands in launching products with revolutionary innovative concepts
- ❖ Comfort and functionality blended into the design of sportswear
- ❖ The segment has been affected by the short-term economic headwinds and the fundamentals of the sportswear and apparel industry remain strong
- ❖ With vast market potentials, we anticipate a positive long-term growth momentum in the industry
- ❖ We are prepared to proactively seize growth opportunities as the market recovers



● Best Pacific's revenue from sportswear and apparel segment in 2022 was approximately HK\$2,146.5 million, making up of approximately 47.8% of the Group's overall revenue



* Source: <https://www.statista.com/statistics/254489/total-revenue-of-the-global-sports-apparel-market/>

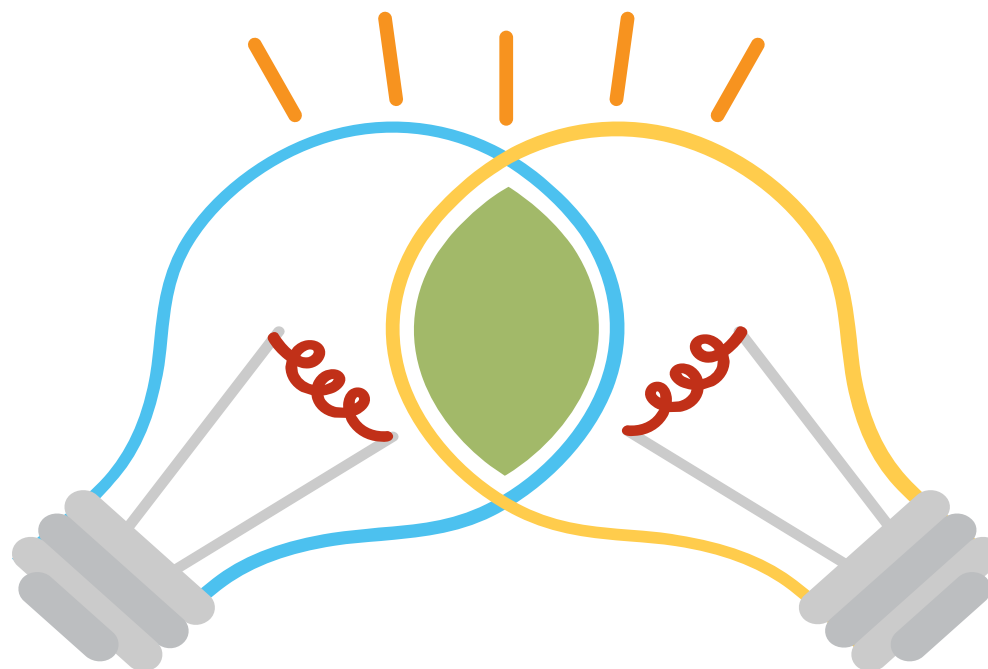
Close collaboration with brands



COMING SOON

Other leading international sportswear, apparel and lingerie brands

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



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



Continuous 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

Investor relations and media contact
Tel: 3185 3185
Email: ir@bestpacific.com

Best Pacific's innovations

One-stop solutions provider of lingerie materials



Strategically penetrating the sportswear and apparel market with enormous potential

