INTERIM REPORT 2014 中期報告

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)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 2111

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lu Yuguang *(Chairman)*
Mr. Zhang Haitao *(Chief Executive Officer)*
Mr. Wu Shaolun

Independent non-executive Directors

Mr. Cheung Yat Ming
Mr. Ding Baoshan
Mr. Sai Chun Yu

AUDIT COMMITTEE

Mr. Sai Chun Yu *(Chairman)*
Mr. Cheung Yat Ming
Mr. Ding Baoshan

REMUNERATION COMMITTEE

Mr. Ding Baoshan *(Chairman)*
Mr. Lu Yuguang
Mr. Cheung Yat Ming

NOMINATION COMMITTEE

Mr. Lu Yuguang *(Chairman)*
Mr. Cheung Yat Ming
Mr. Ding Baoshan

AUTHORISED REPRESENTATIVES

Mr. Zhang Haitao
Mr. Chan Yiu Sing

COMPANY SECRETARY

Mr. Chan Yiu Sing

AUDITOR

Deloitte Touche Tohmatsu

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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17th Floor, Hopewell Centre
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
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PRINCIPAL BANKS

Agricultural Bank of China, Dongguan Branch
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited

REGISTERED OFFICE

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HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPANY'S WEBSITE

www.bestpacific.com

STOCK CODE

2111

Chairman's Statement

On behalf of the Board, I am pleased to present the Company's first interim results report following its successful listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 May 2014. This results report covers the Company's interim results for the six months ended 30 June 2014.

Best Pacific successfully completed its initial public offering, raising net proceeds of approximately HK$528 million despite fluctuations in the Hong Kong capital market, with trading of the shares of the Company on the Main Board of the Stock Exchange commencing on 23 May 2014. The successful listing has turned a new page in the Group's development history. With the expansion of its shareholder base and enhanced share capital, the Group has secured a stable platform and more financial resources, laying a solid foundation for its future development.

The first half of 2014 was of great importance in the development of the Group. In the first half of the year, as the world economy gradually recovered, China's economic growth was maintained at a reasonable rate. China's exports and imports showed momentum in their gradual recovery. The import and export value of foreign trade increased by approximately 1.5% in May 2014 on a year-on-year basis, compared to a year-on-year decline of approximately 1.4% in April 2014, with growth further expanded to approximately 5.6% in June 2014. As for the domestic market, according to the National Bureau of Statistics of China, retail sales of consumer goods increased by 12.1% in the first half of the year as compared to the corresponding period of last year. The remarkable increase was mainly driven by the government policies which aimed at promoting domestic consumption.

Against this backdrop, Best Pacific, being the largest lingerie materials manufacturer in the world, in terms of sale revenue in 2012, steadily pushed forward its production, operation and sales plan by continually developing the market and actively enhancing its research and development and design capabilities. By continuously improving the one-stop solutions it provides to its customers, Best Pacific achieved steady growth in its results. For the six-month period ended 30 June 2014, excluding one-off listing expenses and fair value change in derivative financial instruments and investment properties, the Group's revenue and net profit would have increased by approximately 15.7% and 7.9% on a period-on-period basis to HK$845.6 million and HK$121.1 million, respectively, a remarkable achievement in the textile industry.

In the first half of the year, the Group further enhanced its leading position in the lingerie market and strengthened its reputation in the industry for its two primary business segments, namely elastic fabric and elastic webbing, by steadily expanding its scale of production, enhancing its relationships with its customers and offering superior one-stop solutions. For the six months ended 30 June 2014, the Group's revenue from sales of elastic fabric and elastic webbing increased by approximately 12.6% to HK$531.7 million and by approximately 16.0% to HK$296.4 million, respectively.

While strengthening its leading market position, the Group adhered to its development strategy of offering a diversified product mix to capitalise its existing customer relationships. The Group is also continuously improving its production equipment and technological resources to develop new competitive products in order to realise synergies and create new growth drivers.

Chairman's Statement

The Group improved its one-stop solutions with the introduction of lace into its product portfolio, and its increased market share and scale of business by expanding its customer base from the lingerie market to the sportswear materials market. Owing to its outstanding design capabilities and cross-selling opportunities arising from its one-stop solutions, the lace segment, established in the second half of 2012, has achieved rapid growth. As lace products generally command a higher gross profit margin than other lingerie materials, with the industry average of which ranges from 40% to 60%, the continuous development of lace products is expected to become a strong growth driver for the Group's performance in the future. Furthermore, the Group successfully cooperated with Under Armour, Lululemon and other reputable and popular international sportswear brands, paving the way for its entry into the sportswear market. With our strong market development capabilities and proven track record, we are confident in engaging in further collaboration with more sportswear brands to enlarge our share of this particular market. Given the improving living standards and growing awareness about health, we believe that the sportswear market will provide enormous room for the Group's sales growth.

The Group's solid growth has been achieved with the support of and trust from a wide range of famous international lingerie brands. Leading brands – including Aimer, Chantelle, Embry Form, Maniform, Marks & Spencer, Spanx, Triumph, Victoria's Secret and Wacoal – have established close collaboration with the Group. Through long-term collaboration with these brands of up to ten years, the Group carried out in-depth cooperation with these brands through a variety of linkages by taking into account various factors that include fashion trends, customer needs and brand philosophy to supply suitable lingerie materials to them, and together, we have driven the successful development of the lingerie industry.

The Group is keenly aware of the fact that innovation, research and development and design capabilities constitute the Group's core competitiveness and are essential in allowing us to provide our customers with one-stop solutions. Therefore, the Group continued to increase its investment in its research and development and innovation capabilities by carrying out close collaboration with upstream and downstream players. Upstream, our research and development team worked closely with major suppliers of raw materials and developed new materials with unique specifications and functions. Downstream, our research and development team collaborated with design teams of our customers to convert design concepts into new products, which cater the ever-changing needs of consumers and the latest fashion trends, as well as to provide newly-developed products on an exclusive basis. The Group's strong research and development capabilities not only enabled it to optimise its procurement from upstream suppliers, but also reinforced its cooperation with its customers downstream, which in turn reinforced the Group's competitive strengths in the industry.

Looking into the second half of the year, uncertainties in the global economic environment persisted, though signs of recovery in the European and U.S. economies continued to emerge. On the other hand, despite the fact that China's macro-economic situation is full of challenges in the first half of this year, the PRC economy is expected to demonstrate some growth momentum, and consumer income will continue to improve as the government accelerates the implementation of reforms, which results in further advancement of structural economic adjustment and in turn boost domestic consumption.

The Group will continue to enhance its innovation and design capabilities, produce high-quality products, consolidate its long-term close business relationships with leading lingerie brands and continuously explore new opportunities for cooperation. Leveraging its expertise in the elastic fabric and elastic webbing market, its broad and stable customer base and its reputation for producing high-quality products, the Group believes that it will make breakthroughs in the development of the new lace and sportswear materials segments, which are expected to bring new sources of revenue to the Group.

I am confident in Best Pacific's future development and believe the successful listing is just one of the milestones of the Group. As one of the few one-stop solutions providers in the industry, Best Pacific will strive to capture opportunities resulting from the continued growth of the lingerie market. With its core strengths – including exceptional market development, strong research and development and design capabilities, superior product quality and close relationships with famous brands, Best Pacific will further consolidate its leading position in the lingerie market and actively enhance its competitiveness and market share so as to team up with its shareholders to create value through sustainable development.

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.

Lu Yuguang
Chairman

Hong Kong, 18 August 2014

Management Discussion and Analysis

BUSINESS REVIEW

Best Pacific is a leading one-stop solutions provider of lingerie materials. Riding on our comprehensive range of products and strong research and development capabilities, we became the largest manufacturer of lingerie materials in the world in terms of revenue in 2012. During the period under review, the Group continued to record remarkable growth in its financial performance and further solidified its market position. For the six months ended 30 June 2014, revenue increased by 15.7% to HK$845.6 million as compared to HK$731.1 million in the same period in 2013; profit attributable to equity shareholders amounted to HK$95.6 million, while profit attributable to equity shareholders (excluding one-off listing expenses and fair value change in derivative financial instruments and investment properties) increased by 7.9% to HK$121.1 million as compared to the same period in 2013. Gross profit margin and net profit margin (excluding one-off listing expenses and fair value change in derivative financial instruments and investment properties) for the six months ended 30 June 2014 decreased slightly from 33.0% to 30.6% and from 15.4% to 14.3%, respectively, as compared to the six months ended 30 June 2013.

In the first half of 2014, the global economy continued its steady recovery, with an improvement in the U.S. economic outlook and major signs of economic recovery evident in the Euro zone. The Chinese economy maintained steady growth due to the Chinese government's policies which boost domestic demand and accelerate the pace of urbanisation. With the increase in income, consumers have become more demanding in terms of the quality, functions and design of clothing as well as lingerie, driving an increase in consumption. In addition, the growing acceptance of high-quality lingerie in developing countries also boosted the demand. According to Frost & Sullivan Industry Report (as described in the Company's prospectus dated 13 May 2014, the "Prospectus"), the retail revenue of the global lingerie market is expected to grow from US$65.7 billion in 2012 to US$82.1 billion in 2016. Based on the growing global lingerie market demand, the Group continues to expand the business to seize opportunities and grow market share.

Best Pacific is one of the few lingerie materials manufacturers in the world to provide one-stop solutions to lingerie brands owners through its comprehensive product line of lingerie materials. Its main products are elastic fabric, elastic webbing and lace, which make up the major components of lingerie. The Group believes its diverse product portfolio simplifies the sourcing process for lingerie brand owners and manufacturers, which enables them to lower their inventory levels, shorten production lead time and synchronise the colours of different materials. The one-stop solutions continued to contribute to the growth in sales of the Group during the period through product bundling, in which several products are offered for sale at the same time to each customer. During the review period, sales revenue of elastic fabric and elastic webbing rose by 12.6% and 16.0% to reach HK$531.7 million and HK$296.4 million as compared to the corresponding period last year (1H 2013: HK$472.3 million and HK$255.5 million), representing approximately 62.9% and 35.0% of total revenue, respectively. In order to further broaden its product portfolio and to satisfy customer demands, the Group expanded into the lace lingerie segment in the second half of 2012, achieving satisfactory progress. The lace segment recorded revenue of HK$17.6 million during the six months ended 30 June 2014 (1H 2013: HK$3.3 million), representing a 427.3% growth period-on-period.

During the period under review, the Group successfully maintained close collaboration with leading lingerie brands such as Aimer, Chantelle, Embry Form, Maniform, Marks & Spencer, Spanx, Triumph, Victoria's Secret and Wacoal. The Group collaborated with these brands in various stages of product development, focusing on designs and functionalities, before entering into contracts directly with the brand owners or with their designated manufacturers. The long-term relationships established with these brands have laid a solid foundation for the Group's sales revenue, with the top five customers accounting for 38.3% (1H 2013: 35.9%) of the Group's revenue for the six months ended 30 June 2014. Furthermore, the Group continued to broaden its customer base by expanding into new segments and markets.

Given the similarities in the specifications and functionalities of elastic fabric and elastic webbing used in lingerie and sportswear, the Group successfully entered into the sportswear materials market by offering elastic fabric and elastic webbing to sportswear brand owners and manufacturers. During the period, the Group strengthened collaboration with Under Armour and Lululemon, two globally renowned sportswear brands.

Best Pacific's dedication to research and development, as it seeks to introduce innovative materials, is one of the key drivers of its long-term success and growth. It allows the Group to improve its products and to develop new products that meet its customers' current and future needs, keeping Best Pacific staying abreast of the changes in market trends. During the period, the Group continued to recruit local talents and promote innovation at its design studio in Qingdao City, the PRC. It also worked closely with a French fashion consulting firm for advice on designs and market trends. With its strengthened research and development capabilities, our research and development department worked with the design teams of lingerie brand owners and lingerie manufacturers to turn design concepts into new products and to adapt to the evolving consumer demands. The Group also worked closely with major raw materials suppliers, who are leading players in the nylon and spandex industries, to develop new fabric or materials to meet brand owners' and manufacturers' specifications.

The Group manufactures most of the products at its own manufacturing facilities located in Dongguan, Guangdong Province. To further increase its market share and to capture opportunities in the market, the Group continued to expand production capacity by purchasing additional machinery and building a new production facility. During the period, construction of Phase V of the Group's production plant in Machong Town, Dongguan — the eighth production facility of the Group — was substantially completed. The eighth production facility sees its annual designed capacity of elastic fabric, elastic webbing and lace to increase to approximately 56.8 million metres, 975.9 million metres and 14.2 million metres, respectively. The Group also implemented a management philosophy of lean manufacturing production centred on increasing production efficiency, improving the quality of products and eliminating waste to further enhance the efficiency of the production process.

THE GROUP'S OPERATING RESULTS

The Group's revenue is primarily derived from the sale of its major products, elastic fabric, elastic webbing and lace. The revenue of the Group for the six months ended 30 June 2014 amounted to HK$845.6 million, representing an increase of HK$114.5 million, or approximately 15.7%, from HK$731.1 million for the six months ended 30 June 2013. The increase in revenue during the period was mainly attributable to the increase in the volume of products sold as the result of the continued growth in the lingerie market, the global economic recovery and the Group's dedicated efforts to develop new market segments, including the lace and sportswear materials markets.

Management Discussion and Analysis

A comparison of the Group's revenue for the six months ended 30 June 2014 and the six months ended 30 June 2013 by product categories is as follows:

	Six months ended 30 June				Change	
	2014		2013			
	Revenue (HK$'000)	% of Revenue	Revenue (HK$'000)	% of Revenue	(HK$'000)	%
Elastic fabric	**531,714**	**62.9**	472,277	64.6	59,437	12.6
Elastic webbing	**296,370**	**35.0**	255,505	34.9	40,865	16.0
Lace	**17,565**	**2.1**	3,331	0.5	14,234	427.3
Total	**845,649**	**100.0**	731,113	100.0	114,536	15.7

For the six months ended 30 June 2014, revenue from sales of elastic fabric amounted to HK$531.7 million, representing an increase of HK$59.4 million, or approximately 12.6%, as compared to the six months ended 30 June 2013. The growth in revenue was mainly attributable to (1) the increase in demand from lingerie brands, which achieved a historic half-year high; (2) the Group's continued expansion into the sportswear materials market by fostering relationships with the different sportswear brands, which was represented by a period-on-period growth of 39% in sales orders of elastic fabric as sportswear materials.

Revenue from sales of elastic webbing increased from HK$255.5 million for the six months ended 30 June 2013 to HK$296.4 million for the six months ended 30 June 2014, representing an increase of HK$40.9 million or approximately 16.0%. The growth in revenue was mainly due to the increase in orders from lingerie brands as a result of continued growth in consumer demands.

The group further strengthened its one-stop solutions strategy, and market demand for lace remained strong, leading revenue from sales of lace to increase from HK$3.3 million to HK$17.6 million, representing a period-on-period increase of 427.3%.

Cost of sales and gross profit

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

Cost of sales — by nature of expenses

	Six months ended 30 June					
	2014		2013		Change	
	(HK$'000)	**%**	(HK$'000)	%	(HK$'000)	%
Direct labour	**58,640**	**10.0**	51,008	10.4	7,632	15.0
Raw materials	**354,172**	**60.3**	297,116	60.7	57,056	19.2
Manufacturing overheads	**168,748**	**28.8**	136,416	27.8	32,332	23.7
Others	**5,312**	**0.9**	5,502	1.1	(190)	(3.5)
Total	**586,872**	**100.0**	490,042	100.0	96,830	19.8

The Group's cost of sales for the six months ended 30 June 2014 amounted to approximately HK$586.9 million, representing an increase of HK$96.8 million, or 19.8%, as compared to the corresponding period ended 30 June 2013. The increase in our cost of sales was primarily due to (1) the increase in our total sales volume; (2) the increase in the average of costs of raw materials; and (3) the increase in overall manufacturing overheads as a result of our continued investments in property, plant and equipment to cope with the Group's business expansion and the anticipated revenue growth.

Cost of sales — by product category

	Six months ended 30 June					
	2014		2013		Change	
	(HK$'000)	**%**	(HK$'000)	%	(HK$'000)	%
Elastic fabric	**378,884**	**64.6**	322,744	65.9	56,140	17.4
Elastic webbing	**197,913**	**33.7**	161,893	33.0	36,020	22.2
Lace	**10,075**	**1.7**	5,405	1.1	4,670	86.4
Total	**586,872**	**100.0**	490,042	100.0	96,830	19.8

The Group's cost of sales by product as a percentage of its total cost of sales for the six months ended 30 June 2014 remained relatively stable as compared to the six months ended 30 June 2013.

Management Discussion and Analysis

Gross profit and gross profit margin

	Six months ended 30 June			
	2014		2013	
	Gross profit (HK$'000)	**Gross profit margin (%)**	Gross profit/ (loss) (HK$'000)	Gross profit/(loss) margin (%)
Elastic fabric	**152,830**	**28.7**	149,533	31.7
Elastic webbing	**98,457**	**33.2**	93,612	36.6
Lace	**7,490**	**42.6**	(2,074)	(62.3)
	258,777	**30.6**	241,071	33.0

The gross profit margin decreased slightly from 33.0% for the six months ended 30 June 2013 to 30.6% for the six months ended 30 June 2014.

The Group adopted a cost plus pricing model. With the ability to maintain the overall net profit margin (1H2014: 14.3%; FY2013: 14.6%), excluding one-off listing expenses and fair value change in derivative financial instruments and investment properties, the average selling prices of the different products the Group manufactured was not increased in proportion to the increase in the average costs of sales, which results in a slight decrease in gross profit margin.

According to the Frost & Sullivan Industry Report, the industry average for the gross profit margin of lace generally ranges from 40% to 60%. With the ramping up of production subsequent to the launch of the Group's lace products in second half of 2012, the lace segment achieved a gross profit margin of 42.6% for the six months ended 30 June 2014.

Other income

The Group's other income mainly consisted of income from sales of scrap materials, government grants, financial guarantee income (representing the release of the financial guarantee liability recognised in respect of the financial guarantee the Group provided in favour of certain related parties during the period), bank interest income and others. The following table sets forth the breakdown of the Group's other income for the periods indicated:

	Six months ended 30 June	
	2014 (HK$'000)	2013 (HK$'000)
Sales of scrap material income	**3,663**	2,640
Government grants	**3,905**	5,211
Financial guarantee income	**2,179**	4,066
Bank interest income	**1,255**	3,926
Rental income	**70**	126
Others	**–**	1,247
Total	**11,072**	17,216

The decrease in our other income from HK$17.2 million for the six months ended 30 June 2013 to HK$11.1 million for the six months ended 30 June 2014 was primarily due to (i) the decrease in one-off government grants, which were given to the Group at the discretion of the PRC government; (ii) the decrease in financial guarantee income and (iii) the decrease in bank interest income, which was partially offset by the increase in income from sales of scrap materials.

Other gains and losses

Other gains and losses mainly consist of foreign exchange gains and losses, change in fair value of derivative financial instruments and change in fair value of investment properties.

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 the six months ended 30 June 2013 and 2014, the Group's selling and distribution expenses represented approximately 4.6% and 4.7% of its total revenue, respectively. The increase in selling and distribution expenses was generally in line with the increase in revenue.

Administrative expenses

Administrative expenses primarily consist of employee benefit expenses, depreciation and amortisation, motor vehicle expenses, bank charges and other administration expenses. For the six months ended 30 June 2013 and 2014, the Group's administrative expenses represented approximately 5.3% and 6.1% of its total revenue, respectively. The increase in administrative expenses was primarily due to the increase in business scale and average employee benefit expenses. The equity-settled share-based compensation included in employee benefit expenses for the six months ended 30 June 2014 was approximately HK$2.0 million.

Research and development costs

The Group is dedicated to introduce innovative lingerie and sportswear materials to cater for the changing market preferences. For the six months ended 30 June 2013 and 2014, our research and development costs represented approximately 2.4% of the revenue in both periods.

Management Discussion and Analysis

Listing expenses

Listing expenses represent expenses incurred for the listing and were non-recurring in nature.

Finance costs

The Group's finance costs represent interest expenses for bank borrowings, net of interest expenses capitalised. The finance costs decreased by approximately 32.5% from HK$24.3 million for the six months ended 30 June 2013 to HK$16.4 million for the six months ended 30 June 2014. The decrease was primarily due to the decrease in bank borrowings and the refinancing of part of the Group's bank borrowings in the PRC to Hong Kong, in which interest rates are lower. A syndicated loan of HK$435 million (interest rate: Hong Kong Interbank Offered Rate ("HIBOR") plus 3.6% per annum) was raised in Hong Kong on 16 July 2013.

Income tax expense

Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profit for the period ended. Under the EIT Law and Implementation Regulation of the EIT Law, except as described below, the tax rate of the PRC subsidiaries was 25% during the six months ended 30 June 2013 and the six months ended 30 June 2014.

The Group's subsidiary, Dongguan BPT obtained its qualification as a high and new technology enterprise in 2010, which was valid for a three-year period since the 2011 financial year and was renewed for an additional three years from the 2014 financial year. Dongguan BPT also completed the relevant filing requirements with the relevant tax authorities. Hence, Dongguan BPT is subject to the preferential tax treatment and the applicable tax rate of 15% for the six months ended 30 June 2013 and 2014.

The effective tax rate increased slightly from 18.9% for the six months ended 30 June 2013 to 20.4% for the six months ended 30 June 2014, mainly due to the listing expenses, which was non-tax deductible in nature, incurred in the period in 2014.

Liquidity, financial resources and bank borrowings

The Group maintains a strong and healthy balance sheet. As at 30 June 2014, net working capital was HK$776.0 million, representing an increase of HK$645.9 million, or 496.2% as compared with 31 December 2013. The current ratio (calculated as Current Assets/Current Liabilities) increased from 1.2 times as at 31 December 2013 to 2.1 times as at 30 June 2014.

Net cash generated from operating activities increased from HK$151.5 million for the six months ended 30 June 2013 to HK$209.5 million for the six months ended 30 June 2014.

In the six months ended 30 June 2014, the Group invested HK$126 million in short term bank deposits. Net cash used in investing activities for the six months ended 30 June 2014 amounted to HK$119.0 million, as compared to net cash generated from investing activities amounting to HK$39.3 million for the six months ended 30 June 2014.

For the six months ended 30 June 2014, net cash generated from financing activities amounted to HK$316.8 million (1H 2013: net cash used in financing activities amounted to HK$201.3 million), mainly attributable to the proceeds from the initial public offering of HK$577.9 million and new bank borrowings of HK$504.0 million, which were partly offset by the repayment of bank borrowings of HK$705.5 million.

As at 30 June 2014, the Group's gearing ratio was 40.1% (31 December 2013: 95.8%), which was calculated on the basis of the amount of total bank borrowings as a percentage of total shareholder equity. The Group was in a net cash position as at 30 June 2014 while the net gearing ratio as at 31 December 2013, which was calculated on the basis of the amount of total bank borrowings less cash and cash equivalents and pledged bank deposits as a percentage of the total shareholders' equity, was 72.5%.

Working capital management

	As at 30 June 2014 (days)	As at 31 December 2013 (days)	Change (days)	Change (%)
Inventory turnover days	**97.2**	88.0	9.2	10.5
Trade and bills receivables turnover days	**95.2**	91.9	3.3	3.6
Trade and bills payables turnover days	**97.9**	88.7	9.2	10.4

Inventory turnover days and trade and bills receivable turnover days increased by 9.2 days and 3.3 days, respectively, which were primarily due to the increase in average inventory and trade and bills receivable balances as a result of the increase in the scale of the Group's business.

The increase in trade and bills payables turnover days from 88.7 days for the six months ended 31 December 2013 to 97.9 days for the six months ended 30 June 2014 was primarily attributable to the Group's increased bargaining power against its suppliers.

Capital expenditures

For the six months ended 30 June 2014, total addition to property, plant and equipment amounted to approximately HK$57.8 million (1H 2013: HK$114 million), and was mainly attributed to the increase in investment in machinery of approximately HK$55.4 million (1H 2013: HK$60.5 million) to cope with the Group's overall business expansion.

Pledged assets

As at 30 June 2014, the Group pledged certain trade receivables, bank deposits, property, plant and equipment, prepaid lease payments and available-for-sale financial assets to secure the bank borrowings granted to and bills payable issued by the Group.

The carrying amounts of the assets pledged are as follows:

	As at 30 June 2014 (HK$'000)	As at 31 December 2013 (HK$'000)
Trade receivables	**39,067**	169,283
Pledged bank deposits	**115,576**	96,107
Property, plant and equipment	**106,942**	187,959
Investment properties	**–**	72,152
Prepaid lease payments	**30,827**	31,038
Available-for-sale financial assets	**3,128**	2,979
Total	**295,540**	559,518

Management Discussion and Analysis

Segment information

Details of segment information are set out in note 5 to the condensed consolidated financial statements.

Foreign exchange risk

A substantial portion of the Group's revenue is denominated in U.S. dollars and Hong Kong dollars and a portion of its purchases and expenses are denominated in Renminbi. 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. We manage our foreign exchange risks by (i) managing our sales, purchases and expenses denominated in Hong Kong dollars and U.S. dollars through our Hong Kong subsidiaries and managing our sales, purchases and expenses denominated in Renminbi through our PRC subsidiaries; and (ii) holding cash and bank deposits denominated in Renminbi primarily by our PRC subsidiaries and cash and bank deposits denominated in Hong Kong and U.S. dollars primarily by the Company and its Hong Kong subsidiaries.

Contingent liabilities

As at 30 June 2014, the Group did not have any significant contingent liabilities.

Employees and remuneration policies

As at 30 June 2014, the Group employed a total of approximately 3,652 full-time employees (31 December 2013: 3,230). The increase in the number of employees was mainly due to the increase in the scale of the Group's business. There were no significant changes 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, as described in the Prospectus.

Use of proceeds

The Company's ordinary shares were listed on the Main Board of the Stock Exchange on 23 May 2014. The total net proceeds from the initial public offering amounted to approximately HK$527.7 million. As at 30 June 2014, the Company used HK$2.6 million from net proceeds of the initial public offering for the purchase of machinery, while the remaining net proceeds were deposited in licensed banks in Hong Kong and PRC. The Company intends to use the remaining net proceeds in the second half of 2014 in accordance with the purposes set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

FUTURE STRATEGIES AND PROSPECTS

Looking ahead, the Group is confident about the future of the global lingerie materials market as it will be driven by continuous improvement in living standards and growing demands for better quality in terms of texture, functionalities and designs. The trend of "fast-fashion" has also influenced the lingerie market, requiring the supply chain to respond to the ever-changing fashion trends at a much faster pace. According to the Frost & Sullivan Industry Report, the sales revenue of the global lingerie materials market reached US$7.5 billion in 2012, and is expected to grow to US$9.5 billion in 2016. The Group will be able to benefit from this industry development leveraging its ability to provide a comprehensive range of lingerie materials in one-stop. Together with its core strengths — established relationships with leading brands and strong innovation and research and development capabilities — the Group will strive to maintain its market position as a world-leading manufacturer of lingerie materials, and to increase its market share by tapping the growth potential in the industry.

In view of the anticipated growth, the Group plans to further increase its production capacity for elastic fabric, elastic webbing and lace. In addition to the eighth production facility, which is expected to be issued with a completion certificate in the second half of 2014, the Group has also planned to construct its ninth production facility (namely phase VI), which will have a gross floor area of approximately 34,858 square metres and is expected to commence construction in 2015. With the increase in production capacity and an expanded product portfolio, the Group will benefit from improved economies of scale and synergies between its products, which will thereby enhance its position as a one-stop provider of lingerie materials.

The Group will continue to broaden its customer base by expanding into new segments and markets. According to the Frost & Sullivan Industry Report, the average gross profit margin in the lace industry ranges from 40% to 60%, which is generally higher than that of other lingerie materials. The lace business is expected to create synergistic value by establishing a more comprehensive product portfolio and taking advantage of opportunities in product bundling, thereby allowing the Group to continue to expand the business by increasing production capacity for lace from 4.8 million metres per annum in 2013 to 19.1 million metres per annum by 2015.

The Group will also seek to enhance its presence in the sportswear materials industry by offering elastic fabric and elastic webbing to sportswear brand owners or sportswear manufacturers for the production of sportswear such as sports bras, cycling, running and yoga outfits and casual apparels. It is expected that the global sportswear market will continue to grow, driven by changing lifestyle and an increase in sports participation especially for women. A research report from Mergers Alliance stated that the forecast CARG of sportswear market of U.S. and Western Europe from 2013 to 2017 will stand around 4%, while that of Asia Pacific and Eastern Europe will even reach as high as 8.9% and 13.6%. The Group will continue to look for potential opportunities to collaborate with other sportswear brands to tap the huge market potentials. We believe our long-term success and growth will sustain, leveraging our ability to improve our existing products and to develop new products that meet customers' current and future demands, which also keep abreast of changing market trends.

Disclosure of Interests

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), were set out below:

(I) The Company

Name of Director	Long/ short position	Capacity	Number of shares/ underlying shares	Note	Approximate percentage of shareholding (%)
Mr. Lu Yuguang	Long position	Beneficial owner	3,000,000	1	
	Long position	Interest held by his controlled corporation	637,500,000	2	
			640,500,000		62.86
Mr. Zhang Haitao	Long position	Beneficial owner	5,000,000	1	
	Long position	Interest held by his spouse	2,000,000	1 & 3	
	Long position	Interest held by his controlled corporation	75,000,000	4	
			82,000,000		8.04
Mr. Wu Shaolun	Long position	Beneficial owner	3,000,000	1	
		Interest held by his controlled corporation	37,500,000	5	
			40,500,000		3.97

Notes:

1. These shares represented the underlying shares under the options granted by the Company on 23 May 2014 pursuant to the Pre-IPO Share Option Scheme of the Company.

2. These 637,500,000 ordinary shares were held by Grandview Capital Investment Limited, which was wholly owned by Mr. Lu Yuguang.

3. These shares represented the underlying shares under the option granted by the Company to Ms. Zheng Tingting, the spouse of Mr. Zhang Haitao, pursuant to the Pre-IPO Share Option Scheme of the Company. Under the SFO, Mr. Zhang is deemed to be interested in such underlying shares.

4. These 75,000,000 ordinary shares were held by Sunbrilliant Capital Investment Limited, which was wholly owned by Mr. Zhang Haitao.

5. These 37,500,000 ordinary shares were held by Lakefront Capital Investment Limited, which was wholly owned by Mr. Wu Shaolun.

(II) Associated Corporation (within the meaning of the SFO)

Grandview Capital Investment Limited

Name of Director	Long/ short position	Capacity	Number of shares	Approximate percentage of shareholding (%)
Mr. Lu Yuguang	Long position	Beneficial owner	10,001	100

Save as disclosed above, as at 30 June 2014, none of the directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2014, so far as was known to the directors, the following persons/entities (other than the directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholder	Long/ short position	Capacity	Number of shares/ underlying shares	Note	Approximate percentage of shareholding (%)
Grandview Capital Investment Limited	Long position	Beneficial owner	637,500,000	1	62.57
Sunbrilliant Capital Investment Limited	Long position	Beneficial owner	75,000,000	2	7.36
Ms. Zheng Tingting	Long position	Beneficial owner	2,000,000	3	
	Long position	Interest held by her spouse	80,000,000	3	
			82,000,000		8.04

Notes:

1. Grandview Capital Investment Limited is wholly owned by Mr. Lu Yuguang, an executive director and the Chairman of the Company and Mr. Lu is deemed to be interested in its holding of 637,500,000 ordinary shares of the Company pursuant to the SFO. Mr. Lu's interests in shares are disclosed in this report in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".

2. Sunbrilliant Capital Investment Limited is wholly owned by Mr. Zhang Haitao and Mr. Zhang is deemed to be interested in its holding of 75,000,000 ordinary shares of the Company pursuant to the SFO. Mr. Zhang's interests in shares are disclosed in this report in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".

3. Ms. Zheng Tingting is beneficially interested in 2,000,000 underlying shares under the option granted by the Company to her pursuant to the Pre-IPO Share Option Scheme of the Company. Ms. Zheng is the spouse of Mr. Zhang Haitao, an executive director and the Chief Executive Officer of the Company and is accordingly deemed to be interested in the 75,000,000 ordinary shares held by Sunbrilliant Capital Investment Limited and 5,000,000 underlying shares under the option granted by the Company to Mr. Zhang pursuant to the Pre-IPO Share Option Scheme.

Save as disclosed above, as at 30 June 2014, the directors were not aware of any other persons/entities (other than the directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Share Option Schemes

The Company has adopted two share option schemes on 8 May 2014, namely the Pre-IPO Share Option Scheme and the Share Option Scheme.

(A) PRE-IPO SHARE OPTION SCHEME

Details of movements of the share options granted under the Pre-IPO Share Option Scheme for the six months ended 30 June 2014 are as follows:

				Number of shares issuable under the share options				
Grantee	Date of grant	Exercise price per share (HK$)	Exercise period	As at 1 January 2014	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	As at 30 June 2014
Directors								
Mr. Lu Yuguang	23 May 2014	1.075	23/05/2015– 23/05/2018 (Note)	–	3,000,000	–	–	3,000,000
Mr. Zhang Haitao	23 May 2014	1.075	23/05/2015– 23/05/2018 (Note)	–	5,000,000	–	–	5,000,000
Mr. Wu Shaolun	23 May 2014	1.075	23/05/2015– 23/05/2018 (Note)	–	3,000,000	–	–	3,000,000
Employees of the Group								
in aggregate	23 May 2014	1.075	23/05/2015– 23/05/2018 (Note)	–	15,470,000	–	–	15,470,000
			Grand Total:	–	26,470,000	–	–	26,470,000

Share Option Schemes

Note:

All share options granted under the Pre-IPO Share Option Scheme are subject to the following vesting period:

(a) 20% of the share options are exercisable from the date of the first anniversary of the date of grant (i.e. on or after 23 May 2015);

(b) 30% of the share options are exercisable from the date of the second anniversary of the date of grant (i.e. on or after 23 May 2016); and

(c) 50% of the share options are exercisable from the date of the third anniversary of the date of grant (i.e. on or after 23 May 2017).

(B) SHARE OPTION SCHEME

The Company has not granted any share option under the Share Option Scheme since its adoption on 8 May 2014.

Corporate Governance Code and Other Information

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. Since the listing of the Company's shares on the Stock Exchange on 23 May 2014 (the "Listing Date"), the Company has devoted efforts to put in place various policies and procedures in compliance with the principles and code provisions as set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules. The Board is of the view that the Company has met all the applicable code provisions set out in the CG Code during the period from the Listing Date to the date of this report.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as the guidelines for the directors' dealings in the securities of the Company. Upon specific enquiries of all the directors, each of them confirmed that he has complied with the required standards set out in the Model Code during the period from the Listing Date to 30 June 2014 in relation to his securities dealings, if any.

The Company had also adopted a securities dealing code as written guidelines on no less exacting terms than the Model Code for securities transactions by the senior management and relevant employees of the Group who likely possess inside information of the Company.

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 since the Listing Date.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK3.5 cents per ordinary share for the six months ended 30 June 2014 (the "Interim Dividend"). The Interim Dividend is expected to be paid on Tuesday, 30 September 2014 to all shareholders whose names appear on the register of members of the Company on Wednesday, 17 September 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 15 September 2014 to Wednesday, 17 September 2014 (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 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 Friday, 12 September 2014.

Corporate Governance Code and Other Information

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated results of the Group for the six months ended 30 June 2014 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 Hong Kong Institute of Certified Public Accountants, by Deloitte Touche Tohmatsu, certified public accountants in Hong Kong, and the Audit Committee has no disagreement.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the three independent non-executive directors (being Mr. Sai Chun Yu, Mr. Cheung Yat Ming and Mr. Ding Baoshan), has reviewed with management the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2014, including accounting principles and practices adopted by the Group, and discussed the relevant financial reporting matters.

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF
BEST PACIFIC INTERNATIONAL HOLDINGS LIMITED
超盈國際控股有限公司
(Incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Best Pacific International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 54, which comprise the condensed consolidated statement of financial position as at 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Review of Condensed Consolidated Financial Statements

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2013 and the relevant explanatory notes included in these condensed consolidated financial statements have not 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".

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

18 August 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014 (unaudited)

	Notes	Six months ended 30.6.2014 HK$'000 (unaudited)	30.6.2013 HK$'000 (unaudited)
Revenue	5	**845,649**	731,113
Cost of sales		**(586,872)**	(490,042)
Gross profit		**258,777**	241,071
Other income		**11,072**	17,216
Other gains and losses		**1,629**	(1,114)
Selling and distribution expenses		**(39,931)**	(33,800)
Administrative expenses		**(51,379)**	(38,715)
Research and development costs		**(20,157)**	(17,466)
Listing expenses		**(23,518)**	(2,214)
Finance costs		**(16,378)**	(24,323)
Profit before taxation	6	**120,115**	140,655
Income tax expense	7	**(24,560)**	(26,535)
Profit for the period		**95,555**	114,120
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(7,142)**	19,376
Fair value gain (loss) on available-for-sale financial assets		**149**	(394)
Other comprehensive (expense) income for the period		**(6,993)**	18,982
Total comprehensive income for the period		**88,562**	133,102
Profit for the period attributable to:			
Owners of the Company		**95,555**	100,093
Non-controlling interests		**–**	14,027
		95,555	114,120
Total comprehensive income attributable to:			
Owners of the Company		**88,562**	116,839
Non-controlling interests		**–**	16,263
		88,562	133,102
Earnings per share	9		
Basic (HK cents)		**11.86**	13.35
Diluted (HK cents)		**11.85**	N/A

Condensed Consolidated Statement of Financial Position

As at 30 June 2014 (unaudited)

	Notes	**30.6.2014 HK$'000 (unaudited)**	31.12.2013 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	10	**1,031,243**	1,032,684
Investment properties	10	**–**	72,152
Prepaid lease payments		**43,711**	44,439
Deposits		**32,656**	32,664
Available-for-sale financial assets		**3,128**	2,979
Deferred tax assets		**3,648**	886
		1,114,386	1,185,804
Current assets			
Inventories		**312,692**	317,873
Prepaid lease payments		**1,008**	1,013
Trade and bills receivables	11	**436,018**	453,500
Other receivables, deposits and prepayments		**15,337**	15,525
Derivative financial instruments		**170**	1,511
Pledged bank deposits		**115,576**	96,107
Short term bank deposits		**126,000**	–
Bank balances and cash		**503,218**	97,536
		1,510,019	983,065
Current liabilities			
Trade payable	12	**87,831**	107,393
Bills payable	12	**237,547**	202,316
Other payables and accrued charges		**127,345**	131,078
Obligations under finance leases		**29,590**	37,164
Bank borrowings	13	**221,465**	345,660
Financial guarantee liability		**–**	11,623
Taxation payable		**30,213**	17,660
		733,991	852,894
Net current assets		**776,028**	130,171
Total assets less current liabilities		**1,890,414**	1,315,975

Condensed Consolidated Statement of Financial Position

As at 30 June 2014 (unaudited)

	Notes	**30.6.2014 HK$'000 (unaudited)**	31.12.2013 HK$'000 (audited)
Non-current liabilities			
Obligation under finance leases		**22,490**	22,599
Bank borrowings	13	**373,672**	451,562
Deferred income		**9,000**	9,615
		405,162	483,776
Net assets		**1,485,252**	832,199
Capital and reserves			
Capital	14	**10,188**	87
Reserves		**1,475,064**	725,476
Equity attributable to owners of the Company		**1,485,252**	725,563
Non-controlling interests		**–**	106,636
Total equity		**1,485,252**	832,199

The condensed consolidated financial statements on pages 25 to 54 were approved and authorised for issue by the Board of Director on 18 August 2014 and are signed on its behalf by:

DIRECTOR

DIRECTOR

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014 (unaudited)

	Attributable to owners of the Company											
	Capital HK$'000	Share premium HK$'000	Investment revaluation reserve HK$'000	Other reserve HK$'000	Special reserve HK$'000 (Note b)	PRC statutory reserve HK$'000 (Note c)	Translation reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2013 (audited)	79	–	16	–	(38,462)	32,772	69,571	–	463,476	527,452	80,463	607,915
Profit for the period	–	–	–	–	–	–	–	–	100,093	100,093	14,027	114,120
Exchange differences arising on translation	–	–	–	–	–	–	17,081	–	–	17,081	2,295	19,376
Fair value loss on available-for-sale financial assets	–	–	(335)	–	–	–	–	–	–	(335)	(59)	(394)
Other comprehensive (expense) income for the period	–	–	(335)	–	–	–	17,081	–	–	16,746	2,236	18,982
Total comprehensive (expenses) income for the period	–	–	(335)	–	–	–	17,081	–	100,093	116,839	16,263	133,102
Allotment of shares of the Company	4	–	–	–	–	–	–	–	–	4	–	4
Dividends (note 8)	–	–	–	–	–	–	–	–	(29,750)	(29,750)	(5,250)	(35,000)
At 30 June 2013 (unaudited)	83	–	(319)	–	(38,462)	32,772	86,652	–	533,819	614,545	91,476	706,021
At 1 January 2014 (audited)	**87**	**–**	**(22)**	**–**	**(22,691)**	**47,998**	**88,382**	**–**	**611,809**	**725,563**	**106,636**	**832,199**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**95,555**	**95,555**	**–**	**95,555**
Exchange differences arising on translation	**–**	**–**	**–**	**–**	**–**	**–**	**(7,142)**	**–**	**–**	**(7,142)**	**–**	**(7,142)**
Fair value gain on available-for-sale financial assets	**–**	**–**	**149**	**–**	**–**	**–**	**–**	**–**	**–**	**149**	**–**	**149**
Other comprehensive income (expense) for the period	**–**	**–**	**149**	**–**	**–**	**–**	**(7,142)**	**–**	**–**	**(6,993)**	**–**	**(6,993)**
Total comprehensive income (expenses) for the period	**–**	**–**	**149**	**–**	**–**	**–**	**(7,142)**	**–**	**95,555**	**88,562**	**–**	**88,562**
Issue of new ordinary shares of the Company (note 14)	**2,692**	**575,185**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**577,877**	**–**	**577,877**
Transaction costs attributable to issue of new ordinary share of the Company	**–**	**(25,042)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(25,042)**	**–**	**(25,042)**
Capitalisation issue of shares (note 14)	**7,488**	**(7,488)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Reserve arising from group reorganisation completed on 16 January 2014 (note a)	**(79)**	**–**	**–**	**106,715**	**–**	**–**	**–**	**–**	**–**	**106,636**	**(106,636)**	**–**
Termination of financial guarantee (note 19(ii))	**–**	**–**	**–**	**–**	**9,621**	**–**	**–**	**–**	**–**	**9,621**	**–**	**9,621**
Recognition of equity-settled share based payments (note 17)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,035**	**–**	**2,035**	**–**	**2,035**
At 30 June 2014 (unaudited)	**10,188**	**542,655**	**127**	**106,715**	**(13,070)**	**47,998**	**81,240**	**2,035**	**707,364**	**1,485,252**	**–**	**1,485,252**

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014 (unaudited)

Notes:

(a) Pursuant to sale and purchase agreement dated 16 January 2014, entered into between the Company with each of Grandview Capital Investment Limited ("Grandview"), Sunbrilliant Capital Investment Limited ("Sunbrilliant") and Lakefront Capital Investment Limited ("Lakefront"), Grandview, Sunbrilliant and Lakefront transferred 85%, 10% and 5% of their respective interests in Best Pacific Textile Holdings Limited ("BPT Holdings") to the Company, the consideration of which was settled by way of allotment and issue of 331,500, 39,000 and 19,500 shares of HK$0.01 each by the Company, to Grandview, Sunbrilliant and Lakefront, respectively, with reference to their respective shareholdings in BPT Holdings. As Sunbrilliant and Lakefront had in effect obtained 10% and 5% beneficial interests in New Horizon Investment (Hong Kong) Limited ("New Horizon Investment") after the aforesaid transfers and allotments, an additional consideration of approximately HK$40 million and HK$20 million were paid by Sunbrilliant and Lakefront to Grandview, respectively, and such consideration was determined with reference to the fair value of the 15% equity interests in New Horizon Investment and its subsidiary as at 30 September 2013. BPT Holdings then became a wholly owned subsidiary of the Company. Other reserve of the Group amounting to approximately HK$106,715,000 represents the difference between the nominal value of the shares issued by the Company and the carrying value of the non-controlling interests held by Sunbrilliant and Lakefront and the share capital of BPT Holdings prior to the completion of the Reorganisation (as disclosed in note 2).

(b) Several subsidiaries of the Group provide financial guarantees to its related companies, the fair value of the financial guarantee is recognised as deemed distribution to the shareholders at initial recognition. The details of the financial guarantees are set out in note 19.

(c) The People's Republic of China (the "PRC") statutory reserve is non-distributable and the transfer to this reserve is determined according to the relevant law in the PRC and by the board of directors of the PRC subsidiaries in accordance with the Articles of Association of the subsidiaries. It can be used to make up for previous year's losses or convert into additional capital of the PRC subsidiaries of the Company.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014 (unaudited)

	Six months ended	
	30.6.2014	30.6.2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	**209,521**	151,547
INVESTING ACTIVITIES		
Placement of pledged bank deposits	**(114,502)**	(142,917)
Withdrawal of pledged bank deposits	**94,705**	185,928
Interests received	**1,255**	3,926
Repayment from a director	**–**	413
Addition of property, plant and equipment	**(43,705)**	(99,680)
Proceeds on disposal of investment properties	**69,270**	–
Repayment from related companies	**–**	301,309
Advances to related companies	**–**	(209,643)
Addition to short term bank deposits with original maturity over three months	**(126,000)**	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(118,977)**	39,336
FINANCING ACTIVITIES		
Dividend paid	**–**	(35,000)
Interest paid	**(12,747)**	(23,001)
Proceeds from issue of new shares	**577,877**	4
Payments of transaction costs attributable to issue of new shares	**(25,042)**	–
Repayment to directors	**–**	(58,141)
New bank borrowings	**503,997**	893,604
Repayment of bank borrowings	**(705,543)**	(871,000)
Repayments of obligations under finance lease	**(21,745)**	(34,685)
Advance from related companies	**–**	19,603
Repayment to related companies	**–**	(36,737)
Repayment of bills financing	**–**	(55,970)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**316,797**	(201,323)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**407,341**	(10,440)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**97,536**	147,686
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,659)**	8,199
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**503,218**	145,445

1. GENERAL INFORMATION

The Company was 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 holding company is Grandview, which is incorporated in the British Virgin Islands ("BVI") and is wholly owned by Mr. Lu Yuguang ("Mr. Lu"). 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 "Listing Date").

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 2014 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

In the preparation for the listing of the Company's shares on the Stock Exchange, the Company underwent a reorganisation ("Reorganisation") which included the following steps:

(a) On 14 June 2013, the Company was incorporated in the Cayman Islands with limited liability. The initial authorised share capital of the Company was HK$390,000 divided into 39,000,000 shares of HK$0.01 each. Upon its incorporation, one subscriber share was allotted and issued, to the subscriber, which was transferred to Grandview on the same day. Also, on the same date, 331,499 shares, 39,000 shares and 19,500 shares were allotted and issued at par value to Grandview, Sunbrilliant, a limited liability company incorporated in the BVI and wholly owned by Mr. Zhang Haitao ("Mr. Zhang"), and Lakefront, a limited liability company incorporated in the BVI and wholly owned by Mr. Wu Shaolun ("Mr. Wu"), respectively. On 12 December 2013, 331,500 shares, 39,000 shares and 19,500 shares were further alloted and issued at par value to Grandview, Sunbrilliant and Lakefront, respectively. Upon the completion of the aforesaid transfer and allotments, Grandview, Sunbrilliant and Lakefront owned 85%, 10% and 5% of the issued shares of the Company, respectively.

(b) On 12 December 2013, BPT Holdings entered into a sale and purchase agreement with Mr. Lu Huigen, Mr. Lu's elder brother, pursuant to which BPT Holdings agreed to transfer its entire interest in Deluxe Royal Limited ("Deluxe Royal") to Mr. Lu Huigen for a consideration of HK$10,000. Upon the completion of the transfer on 12 December 2013, Deluxe Royal ceased to be a subsidiary of the Group.

2. BASIS OF PREPARATION (Continued)

(c) On 16 January 2014, Mr. Lu transferred 10,000 shares of BPT Holdings to Grandview in consideration for the allotment and issue of 10,000 shares at par value in Grandview to Mr. Lu, and on the same date, Grandview transferred its entire 85% interest in Best Pacific Textile International Limited ("BPT International") to BPT Holdings in consideration of the allotment and issue of 7,000 shares at par value in BPT Holdings to Grandview. Upon completion of the aforesaid transfers, BPT Holdings was wholly owned by Grandview whereas BPT International was held as to 85% by BPT Holdings, 10% by Sunbrilliant and 5% by Lakefront, respectively.

(d) On 16 January 2014, BPT Holdings entered into a sale and purchase agreement with each of Sunbrilliant and Lakefront, pursuant to which Sunbrilliant and Lakefront agreed to transfer their respective interests of 10% and 5% in BPT International to BPT Holdings, the consideration for which were settled by the allotment and issue of 2,000 shares and 1,000 shares at par value in BPT Holdings, to Sunbrilliant and Lakefront, respectively, with reference to their respective shareholdings in BPT International. As Sunbrilliant and Lakefront had in effect obtained 10% and 5% beneficial interests in New Horizon Investment after the aforesaid transfers and allotments, an additional consideration of approximately HK$40 million and HK$20 million were paid by Sunbrilliant and Lakefront to Grandview, respectively, and such consideration was determined with reference to the fair value of the 15% equity interests in New Horizon Investment and its subsidiary as at 30 September 2013. Upon completion of the aforesaid transfers, BPT International was wholly owned by BPT Holdings.

(e) On 16 January 2014, the Company entered into a sale and purchase agreement with each of Grandview, Sunbrilliant and Lakefront, pursuant to which Grandview, Sunbrilliant and Lakefront agreed to transfer 85%, 10% and 5% of their respective interests in BPT Holdings to the Company, the consideration of which was settled by way of allotment and issue of 331,500, 39,000 and 19,500 shares by the Company to Grandview, Sunbrilliant and Lakefront, respectively, with reference to their respective shareholdings in BPT Holdings. Upon completion of the aforesaid transfers, BPT Holdings was wholly owned by the Company.

Pursuant to the Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 16 January 2014. The Company and its subsidiaries have been under the common control of Mr. Lu throughout the year ended 31 December 2013 and the six months ended 30 June 2014.

The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 June 2013 and 2014 include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the respective periods (except for the disposal of Deluxe Royal in December 2013). The condensed consolidated statement of financial position of the Group as at 31 December 2013 has been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence at that date.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current interim period, the Group has applied, for the first time, a new Interpretation and certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the accounting period beginning on or after 1 January 2014.

The application of the new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the accountants' report of the Group for the three years ended 31 December 2013 for the inclusion in the prospectus of the Company dated 13 May 2014.

Equity-settled share-based payment transactions

Share options granted to directors and employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the current interim period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

5. SEGMENT INFORMATION

The financial information reported to the executive directors of the Company, being the chief operating decision markers ("CODM"), for the purpose of assessment of segment performance and resources allocation focuses on types of goods delivered.

The Group's operating and reportable segments under HKFRS 8 are as follows:

- Manufacturing and trading of elastic fabric and lace

  This segment derives its revenue from manufacturing and trading of elastic fabric and lace made from synthetic fibres that are commonly used in high-end wrap knitted lingerie products.

- Manufacturing and trading of elastic webbing

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

Segment revenue and results

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

For the six months ended 30 June 2014 (unaudited)

	Manufacturing and trading of elastic fabric and lace HK$'000	Manufacturing and trading of elastic webbing HK$'000	Total HK$'000
Segment revenue from external customers	**549,279**	**296,370**	**845,649**
Segment profits	**92,137**	**70,852**	**162,989**
Unallocated other income			**3,113**
Unallocated other gains and losses			**1,629**
Unallocated corporate expenses			**(31,238)**
Finance costs			**(16,378)**
Profit before taxation			**120,115**

5. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the six months ended 30 June 2013 (unaudited)

	Manufacturing and trading of elastic fabric and lace HK$'000	Manufacturing and trading of elastic webbing HK$'000	Total HK$'000
Segment revenue from external customers	475,608	255,505	731,113
Segment profits	91,579	71,089	162,668
Unallocated other income			9,367
Unallocated other gains and losses			(1,114)
Unallocated corporate expenses			(5,943)
Finance costs			(24,323)
Profit before taxation			140,655

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, rental income, financial guarantee income, change in fair value in derivative financial instruments, change in fair value in held-for-trading investments, change in fair value of investment properties, net foreign exchange gain/loss, corporate expenses and finance costs. Corporate expenses include directors' remuneration paid or payable by the Group, listing expenses, equity-settled share-based payments and certain administrative expenses for corporate function. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

As at 30 June 2014 (unaudited)

	Manufacturing and trading of elastic fabric and lace HK$'000	Manufacturing and trading of elastic webbing HK$'000	Total HK$'000
ASSETS			
Segment assets	1,463,709	400,327	1,864,036
Property, plant and equipment			1,627
Deferred tax assets			3,648
Available-for-sale financial assets			3,128
Derivative financial instrument			170
Other receivables, deposits and prepayments			7,002
Pledged bank deposits			115,576
Short term bank deposits			126,000
Bank balances and cash			503,218
Total assets			2,624,405
LIABILITIES			
Segment liabilities	301,132	147,394	448,526
Other payables and accrued charges			13,197
Obligations under finance leases			52,080
Bank borrowings			595,137
Tax payable			30,213
Total liabilities			1,139,153

5. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

As at 31 December 2013 (audited)

	Manufacturing and trading of elastic fabric and lace HK$'000	Manufacturing and trading of elastic webbing HK$'000	Total HK$'000
ASSETS			
Segment assets	1,474,081	414,407	1,888,488
Property, plant and equipment			2,591
Investment properties			72,152
Deferred tax assets			886
Available-for-sale financial assets			2,979
Other receivables, deposits and prepayments			6,619
Derivative financial instruments			1,511
Pledged bank deposits			96,107
Bank balances and cash			97,536
Total assets			2,168,869
LIABILITIES			
Segment liabilities	312,367	137,596	449,963
Other payables and accrued charges			439
Obligations under finance leases			59,763
Bank borrowings			797,222
Tax payable			17,660
Financial guarantee liability			11,623
Total liabilities			1,336,670

5. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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

- all assets are allocated to operating and reportable segments, other than investment properties, available-for-sale financial assets, deferred tax assets, derivative financial instruments, pledged bank deposits, short term bank deposits and bank balances and cash and certain corporate assets.

- all liabilities are allocated to operating and reportable segments, other than obligations under finance leases, bank borrowings, tax payable, financial guarantee liability and certain corporate liabilities.

6. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2014	30.6.2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**54,850**	49,982
Amortisation of prepaid lease payments	**506**	497
Cost of inventories recognised as an expense	**586,872**	490,042
including: reversal of allowance for obsolete inventories (Note)	**(1,298)**	(1,878)
Gross rental income from investment properties	**70**	126
Government grants (included in other income)	**3,905**	5,211
Net proceeds from sales of scrap materials (included in other income)	**3,663**	2,640
Financial guarantee income (included in other income)	**2,179**	4,066
Change in fair value of derivature financial instruments (included in other gains and losses)	**(508)**	(2,819)
Change in fair value of investment properties (included in other gains and losses)	**2,532**	(1,242)
Foreign exchange loss (included in other gains and losses)	**3,249**	12,164
Foreign exchange gain (included in other gains and losses)	**(6,902)**	(6,903)
Equity-settled share base payments (included in administrative expenses)	**2,035**	–

Note: During the six months ended 30 June 2014 and 2013, certain slow moving inventories, which were previously written down, were utilised and sold. Therefore reversal of allowance for obsolete inventories is recognised to profit or loss.

7. INCOME TAX EXPENSE

	Six months ended	
	30.6.2014	30.6.2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	**16,203**	6,432
The PRC Enterprise Income Tax ("EIT")	**11,435**	21,037
	27,638	27,469
Deferred taxation	**(3,078)**	(934)
	24,560	26,535

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, except as described below, the tax rate of the PRC subsidiaries is 25% during both periods.

The Group's subsidiary, Dongguan Best Pacific Textile Company Limited ("Dongguan BPT"), obtained the qualification as a high and new technology enterprise in 2010, which was valid for three years since financial year 2011 and was renewed for an additional three years from financial year 2014, and it also completed the relevant filing requirements with the competent tax authorities.

Hence, Dongguan BPT is subject to the preferential tax treatment and the applicable tax rate for the six months ended 30 June 2013 and 2014 is 15%.

8. DIVIDENDS

No dividends were paid, declared or proposed by the Company during the six months ended 30 June 2014. Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK3.5 cents per share will be paid to the owners of the Company whose names appear in the register of members on 17 September 2014.

During the six months ended 30 June 2013, Best Pacific Textile Limited ("BPT"), a then non-wholly owned subsidiary, declared and paid dividends of HK$5,250,000 to non-controlling shareholders and HK$29,750,000 to its immediate holding company, BPT Holdings. Also, BPT Holdings declared and paid HK$29,750,000 to its then owner.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

9. 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:

	Six months ended	
	30.6.2014 (unaudited)	30.6.2013 (unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the period attributable to owners of the Company) (HK$'000)	**95,555**	100,093
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**805,522,856**	750,000,000
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**97,731**	–
Over-allotment option from initial public offering	**394,642**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**806,015,229**	N/A

The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 June 2014 and 2013 has been adjusted for the capitalisation issue on 23 May 2014 as disclosed in note 14 and taking into consideration the effect of the Reorganisation as disclosed in note 2.

No diluted earnings per share information has been presented for the six months ended 30 June 2013 as there were no potential ordinary shares outstanding during that period.

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Property, plant and equipment

During the six months ended 30 June 2014, total addition to property, plant and equipment were approximately HK$57,767,000 (six months ended 30 June 2013: HK$113,961,000), which mainly represented machinery of approximately HK$55,387,000 (six months ended 30 June 2013: HK$60,474,000).

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (Continued)

Investment properties

During the six months ended 30 June 2014, the Group disposed of all of its investment properties at a cash consideration of HK$69,270,000.

During the six months ended 30 June 2014, fair value loss of the Group's investment properties of HK$2,532,000 (six months ended 30 June 2013: fair value gain of HK$1,242,000) had been recognised directly in profit or loss.

The fair value of the Group's investment properties at 31 December 2013 was arrived at on the basis of a valuation carried out on that date by Avista Valuation Advisory Limited ("Avista"), an independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to the income approach taking into account the net rental income of the properties derived from the existing leases and achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been discounted to determine the market value at an appropriate capitalisation rate. In estimating the fair value of the properties, the highest and best use of the properties was their current use. There has been no change to the valuation technique during the current period.

The Group's investment properties were situated in the PRC held under medium-term leases.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

11. TRADE AND BILLS RECEIVABLES

Trade receivables from third parties mainly represent receivables from customers in relation to the sale of elastic fabric and lace and elastic webbing to customers. 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 month.

The following is an aged analysis of trade receivables net of allowance for bad and doubtful debts presented based on the date of issuance of monthly statements at the end of each reporting period and aged analysis of bills receivable presented based on the date of issuance of the bills at the end of each reporting period.

	30.6.2014 HK$'000 (unaudited)	31.12.2013 HK$'000 (audited)
Trade receivables		
0 – 90 days	**387,988**	410,607
91 – 180 days	**32,514**	33,451
Over 180 days	**12,953**	5,283
	433,455	449,341
Bills receivables		
0 – 90 days	**1,743**	1,861
91 – 180 days	**820**	2,298
	2,563	4,159
	436,018	453,500

12. TRADE AND BILLS PAYABLES

Trade payable

The credit period granted by the Group's creditors ranges from approximately 1 month to 3 months. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	30.6.2014 HK$'000 (unaudited)	31.12.2013 HK$'000 (audited)
0 – 90 days	**82,341**	98,082
Over 90 days	**5,490**	9,311
	87,831	107,393

Bills payable

The following is an aged analysis of bills payable presented based on the date of issuance of bills at the end of each reporting period:

	30.6.2014 HK$'000 (unaudited)	31.12.2013 HK$'000 (audited)
0 – 90 days	**173,401**	151,691
91 – 180 days	**64,146**	50,625
	237,547	202,316

13. BANK BORROWINGS

	30.6.2014 HK$'000 (unaudited)	31.12.2013 HK$'000 (audited)
Unsecured syndicated loans	**426,885**	424,857
Secured bank borrowings	**100,998**	194,377
Unsecured bank borrowings	**67,254**	143,529
Collateralised bank borrowings for factoring of trade receivables with full recourse	**–**	34,459
	595,137	797,222
Carrying amount repayable*:		
Within one year	**201,662**	325,008
More than one year, but not exceeding two years	**81,160**	149,101
More than two years, but not more than five years	**312,315**	323,113
	595,137	797,222
Less: Amounts due within one year and/or contain a repayment on demand clause shown under current liabilities	**(221,465)**	(345,660)
Amounts shown under non-current liabilities	**373,672**	451,562
Carrying amount of bank borrowings that are repayable within one year and contain a repayment on demand clause	**22,189**	29,053
Carrying amount of bank borrowings that are repayable more than one year but contain a repayment on demand clause	**19,803**	20,652
	41,992	49,705

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

The unsecured syndicated loans are guaranteed by group companies, Mr. Lu and Mr. Zhang and the loans will be repayable by instalments from 16 July 2014 to 16 July 2016. For the six months end 30 June 2014, the personal guarantees of Mr. Lu and Mr. Zhang have been released by the syndicate.

13. BANK BORROWINGS (Continued)

The secured bank borrowings are secured by assets pledged as disclosed in note 15 as at 30 June 2014 and 31 December 2013 and are guaranteed by Mr. Lu and Mr. Zhang as at 31 December 2013.

The unsecured bank borrowings are guaranteed by group companies, as at 30 June 2014 and 31 December 2013 and are also guaranteed by Mr. Lu and Mr. Zhang as at 31 December 2013.

14. CAPITAL

Capital as at 31 December 2013 represented the aggregate paid-in capital of BPT Holdings and BPT International attributable to Mr. Lu and the Company.

On 14 June 2013, the Company was incorporated in the Cayman Islands. Upon its incorporation, one subscriber share was allotted and issued, to the subscriber and transferred to Grandview. On the same date, 331,499 shares, 39,000 shares and 19,500 shares were allotted and issued at par value to Grandview, Sunbrilliant and Lakefront, respectively. On 12 December 2013, 331,500 shares, 39,000 shares and 19,500 shares were further allotted and issued at par value to Grandview, Sunbrilliant and Lakefront, respectively.

As a part of the Reorganisation, on 16 January 2014, 331,500 shares, 39,000 shares and 19,500 shares were allotted and issued at par value to Grandview, Sunbrilliant and Lakefront, respectively.

On 8 May 2014, the authorised share capital of the Company was increased from HK$390,000 to HK$500,000,000 by the creation of an additional 49,961,000,000 shares of HK$0.01.

Pursuant to the written resolutions passed by the shareholders of the Company on 8 May 2014, conditional upon the share premium account of the Company being credited as a result of the listing of the Company on the Stock Exchange, the directors of the Company were authorised to capitalise the amount of HK$7,488,300 from the amount standing to the credit of the share premium account of the Company to pay up in full at par 748,830,000 shares for allotment and issue to the shareholders appearing on the register of members of the Company at the close of business on 8 May 2014, pro-rata to their then existing shareholdings in the Company.

On 23 May 2014, the Company had issued 250,000,000 shares at HK$2.15 per share to public shareholders through the initial public offering.

On 18 June 2014, the Company had allotted 18,778,000 shares at HK$2.15 per share to shareholders pursuant to the over-allotment options under the international underwriting agreement entered into by, inter alia, the Company and the international underwriters on 19 May 2014.

14. CAPITAL (Continued)

All shares issued rank pari passu with each other in all aspects. The detail movements of the Company's share capital are set out below.

	Number of shares	Amount	
		HK$	HK$'000
Ordinary shares of HK$0.01 each			
Authorised:			
At 14 June 2013 (date of incorporation) and 31 December 2013 (audited)	39,000,000	390,000	390
Increase on 8 May 2014	49,961,000,000	499,610,000	499,610
At 30 June 2014 (unaudited)	50,000,000,000	500,000,000	500,000
Issued and fully paid:			
At 14 June 2013 (date of incorporation)	1	–	–
Issue of shares on 14 June 2013 (date of incorporation)	389,999	3,900	4
Issue of shares on 12 December 2013	390,000	3,900	4
At 31 December 2013 (audited)	780,000	7,800	8
Issue of shares on 16 January 2014	**390,000**	**3,900**	**4**
Capitalisation issue of shares on 23 May 2014	**748,830,000**	**7,488,300**	**7,488**
Issue of shares on 23 May 2014	**250,000,000**	**2,500,000**	**2,500**
Issue of shares on 18 June 2014	**18,778,000**	**187,780**	**188**
At 30 June 2014 (unaudited)	**1,018,778,000**	**10,187,780**	**10,188**

15. PLEDGE OF ASSETS

At the end of the reporting period, the Group has pledged certain trade receivables, investment properties, bank deposits, property, plant and equipment, prepaid lease payments and available-for-sale financial assets to secure the bank borrowings granted to and bills payable issued by the Group. The carrying amounts of the assets pledged are as follows:

	30.6.2014 HK$'000 (unaudited)	31.12.2013 HK$'000 (audited)
Trade receivables	**39,067**	169,283
Pledged bank deposits	**115,576**	96,107
Property, plant and equipment	**106,942**	187,959
Investment properties	**–**	72,152
Prepaid lease payments	**30,827**	31,038
Available-for-sale financial assets	**3,128**	2,979
	295,540	559,518

16. CAPITAL COMMITMENTS

	30.6.2014 HK$'000 (unaudited)	31.12.2013 HK$'000 (audited)
Capital expenditure in respect of the addition of property, plant and equipment contracted but not provided for	**43,686**	67,838

17. SHARE-BASED PAYMENTS

The Company's Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and share option scheme (the "Share Option Scheme") were adopted pursuant to a resolution passed on 8 May 2014 for the primary purpose of providing incentives to directors and eligible employees, and will expire at the end of five years and ten years from the date of grant of respective share options for Pre-IPO Share Options Scheme and the Share Option Scheme, respectively.

For the Share Option Scheme, no share option was granted since its adoption.

The table below discloses movement of the Company's share options granted under the Pre-IPO Share Option Scheme and held by the Group's directors and employees as at 30 June 2014:

	Number of share options
Granted during the current interim period and outstanding as at 30 June 2014:	
— Directors of the Company	11,000,000
— Employees	15,470,000
	26,470,000

The share options granted under the Pre-IPO Share Option Scheme are subject to the vesting period as to 20%, 30% and 50% of the aggregate number of shares underlying the option on the date of the first, second and third anniversary of the date of grant of such options respectively.

In the current interim period, share options were granted on 19 May 2014. The fair value of the options determined at the date of grant using the Binomial option pricing model was HK$33,640,000.

The following assumptions were used to calculate the fair values of share options at the date of grant on 19 May 2014:

Spot price per share on grant date	HK$2.150
Exercise price	HK$1.075
Expected life	5 years
Expected volatility	42.80%
Dividend yield	0.00%
Risk-free interest rate	1.202%

17. SHARE-BASED PAYMENTS (Continued)

The Binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

At the end of each interim period, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share options reserve.

18. RELATED PARTY TRANSACTIONS

The Group had the following related party transactions:

(a)

Nature of transactions	Six months ended 30.6.2014 HK$'000 (unaudited)	30.6.2013 HK$'000 (unaudited)
Sales of goods to related companies*	**586**	190
Purchase of goods from related companies*	**–**	445
Rental income from related companies*	**70**	126
Rental expense in respect of rented premises to Mr. Lu	**1,892**	1,759

* Related company controlled by Mr. Lu and family members of Mr. Lu

(b) Information of financial guarantees provided to related companies and cross guarantees between group entities and related companies is set out in note 19.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

18. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation to key management personnel of the Group which represents directors of the Company, during six months ended 30 June 2014 are as follows:

	Six months ended	
	30.6.2014	30.6.2013
	HK$'000	HK$'000
Salary and allowances	**4,609**	2,858
Contributions to retirement benefit scheme	**99**	90
Share based payments	**846**	–
	5,554	2,948

(d) During the six months ended 30 June 2014, the Group disposed of all of its investment properties to a related company controlled by Mr. Lu and family member of Mr. Lu, at a consideration of RMB55,000,000 (equivalent to HK$69,270,000).

19. FINANCIAL GUARANTEE AND CONTINGENT LIABILITIES

(i) On 22 July 2011, Dongguan BPT, 東莞市潤達織造有限公司 (Dongguan Runda Elastic Weaving Company Limited) ("Dongguan Runda") and Mr. Lu provided a financial guarantee to a bank for a bank loan of RMB84,000,000 with maturity of seven years granted to 博羅縣水岸香洲置業有限公司 (Boluo County Riverside Palace Property Company Limited), a company owned by the family members of Mr. Lu. The fair value of the financial guarantee as at 22 July 2011 was arrived at on the basis of valuation carried out on that date by Avista, independent qualified professional valuer not connected with the Group. The fair value of the financial guarantees was based on credit spread (including assumption on probability of default and recovery ratio) and maximum exposure of the facility to the Group. The estimated fair value of the financial guarantee of HK$26,416,000 was recognised as financial guarantee liability with the equivalent amount charged to equity as shareholder distribution at the grant date. During the six months ended 30 June 2013, financial guarantee income of HK$1,887,000 was recognised in profit or loss. On 9 August 2013, the financial guarantees provided by Dongguan BPT were early released by the bank before maturity of the banking facilities. The remaining carrying amount of financial guarantee liability amounting to HK$18,554,000 was credited to equity.

19. FINANCIAL GUARANTEE AND CONTINGENT LIABILITIES (Continued)

(ii) On 28 June 2012, Dongguan BPT, Dongguan New Horizon Elastic Fabric Company Limited ("Dongguan NHE") and Mr. Lu provided financial guarantee to a bank for a bank loan of RMB80,000,000 with maturity of four years to 東莞市寶盈地產開發有限公司 Dongguan Baoying Property Development Company Limited, a company controlled by Mr. Lu. The fair value of the financial guarantee as at 28 June 2012 was arrived at on the basis of valuation carried out on that date by Avista, independent qualified professional valuer not connected with the Group. The fair value of the financial guarantees was calculated based on credit spread (including the assumption on probability of default and recovery ratio) and the maximum exposure of the facility to the Group. The estimated fair value of the financial guarantee of HK$18,160,000 was recognised as financial guarantee liability with the equivalent amount charged to equity as shareholder distribution at the grant date. During the six months ended 30 June 2014, financial guarantee income of HK$2,179,000 (The six months ended 30 June 2013: HK$2,179,000) were recognised in profit or loss. The carrying amount of the financial guarantee liability was HK$11,623,000 as at 31 December 2013. On 27 March 2014, the financial guarantee provided by Dongguan BPT and Dongguan NHE were early released by the bank before maturity of the banking facilities. The remaining carrying amount of financial guarantee liability amounting to HK$9,621,000 was credited to equity.

(iii) On 2 January 2012, Dongguan NHE, Dongguan Runda and Mr. Lu provided financial guarantee to a bank for a bank loan of RMB15,000,000 with maturity of four years to Dongguan Shatian Gaolian Paint Material Factory (東莞市沙田高聯漆料廠), a company controlled by the family members of Mr. Lu. The management of the Group considered that the fair value of the financial guarantee provided by the group entity is insignificant. On 1 January 2014, the financial guarantee from Dongguan NHE was early released by the bank before maturity of the banking facilities.

(iv) On 28 March 2012, and renewed on 28 March 2013, BPT, Best Pacific Textile (Hong Kong) Limited ("BPT (HK)"), New Horizon Elastic Fabric (Hong Kong) Limited ("New Horizon Elastic") and Rich Chest Industrial Limited ("Rich Chest"), a related company controlled by the family members of Mr. Lu, have provided cross corporate guarantees to each other for the banking facilities of HK$10,000,000 in addition to the corporate guarantee provided by BPT International and personal guarantee provided by Mr. Lu, Mr. Wu and Mr. Zhang. The banking facilities are available to BPT, BPT (HK), New Horizon Elastic and Rich Chest and any one of these entities can draw the facilities in full any time. The management of the Group considered that the fair value of the financial guarantees provided by the group entities is insignificant. On 28 February 2014, such cross corporate guarantees were early released by the bank before maturity of the banking facilities.

19. FINANCIAL GUARANTEE AND CONTINGENT LIABILITIES (Continued)

(v) On 22 June 2012, and renewed on 9 July 2013, New Horizon Investment, New Horizon Elastic, BPT, BPT (HK) and Rich Chest have provided cross corporate guarantees to each other for the banking facilities of HK$60,000,000 in addition to the personal guarantee provided by Mr. Lu and Mr. Zhang and any one of these entities can draw the facilities in full any time. The management of the Group considered that the fair value of the financial guarantee provided by group entities is insignificant. On 28 February 2014, such cross corporate guarantees were early released by the bank before maturity of the banking facilities.

(vi) On 1 March 2010, New Horizon Investment, BPT, Mr. Lu and Mr. Zhang have provided corporate/personal guarantees to Rich Chest for the banking facilities of HK$12,000,000 for five years. The management of the Group considered that the fair value of the financial guarantee provided by group entities is insignificant. On 28 February 2014, the financial guarantees provided by the Group entities to Rich Chest were early released by the bank before maturity of the banking facilities.

Dongguan BPT, Dongguan NHE, BPT, BPT(HK), New Horizon Investment, and New Horizon Elastic are subsidiaries of the Company. Dongguan Runda and Rich Chest are related companies controlled by Mr. Lu or family members of Mr. Lu.

Save and except for the matters specified above, the Group does not have any contingent liability so far as the management is aware that is pending or threatened by or against any companies of the Group.

20. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2014, the Group entered into finance lease arrangement in respect of machineries with a total capital value at the inception of the lease of approximately HK$14,062,000 (six months ended 30 June 2013: HK$29,541,000).

21. FAIR VALUE MEASUREMENT

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 inputs are quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date.

- Level 2 inputs are inputs other than quoted process included within level 1 that are observable for the assets or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs for assets and liabilities.

		Fair value as at 30.6.2014 (unaudited)	Fair value as at 31.12.2013 (audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
(1)	Available-for-sale financial assets	Unit trust — HK$3,128,000	Unit trust — HK$2,979,000	Level 2	Based on the fair value of underlying assets and liabilities which are substantially derived from Level 1 inputs.
(2)	Structured foreign currency forward contracts (presented as derivative financial instruments on the condensed consolidated financial position)	Asset — HK$170,000	Asset — HK$1,511,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There is no transfer between Level 1 and Level 2 during both periods.

21. FAIR VALUE MEASUREMENT (Continued)

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

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