

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

2018 Interim Results Corporate Presentation



31 August 2018

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Section 1

RESULTS REVIEW



Financial highlights

	1H2018*	1H2017*	Change	
	(HK\$ million) (unaudited)		(%)	
Revenue	1,351.3	1,262.5	+7.0%	
Gross profit	323.0	362.7	-10.9%	
Net profit	102.8	140.7	-26.9%	
	FY2017** (audited)	1H2018	1H2017	Change
Gross profit margin	27.6%	23.9%	28.7%	-4.8% pts
Net profit margin	10.9%	7.6%	11.1%	-3.5% pts
	1H2018	1H2017	Change	
Earnings per share	(HK cents)	(HK cents)	(%)	
- Basic	10.04	13.67	-26.6%	
- Diluted	10.02	13.58	-26.2%	
Interim dividend	Nil	Nil	N/A	

* 1H2017 and 1H2018 referred to the six months ended 30 June 2017 and 2018 respectively.

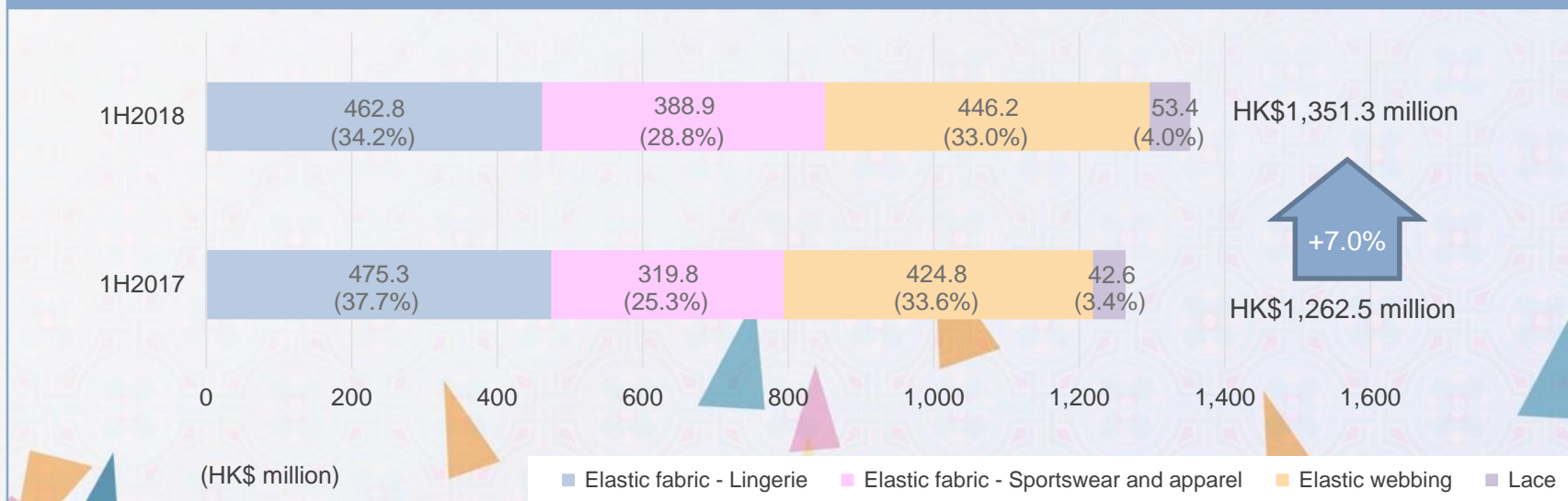
** FY2017 referred to the year ended 31 December 2017.

Revenue

Revenue contribution by product categories

	1H2018		1H2017		Change
	(HK\$ million)	(% of revenue)	(HK\$ million)	(% of revenue)	
Elastic fabric	851.7	63.0%	795.1	63.0%	+7.1%
- Lingerie	462.8	34.2%	475.3	37.7%	-2.6%
- Sportswear and apparel	388.9	28.8%	319.8	25.3%	+21.6%
Elastic webbing	446.2	33.0%	424.8	33.6%	+5.0%
Lace	53.4	4.0%	42.6	3.4%	+25.6%
Total	1,351.3	100.0%	1,262.5	100.0%	+7.0%

Revenue breakdown by product categories



Revenue

❖ Overall

- Revenue increased by approximately 7.0% period-on-period to approximately HK\$1,351.3 million
- Increase in revenue was mainly attributable to:
 - Continual expansion into the new sportswear and apparel materials segments
 - Reinforcement on the Group product bundling strategy



❖ Elastic fabric

- Revenue: HK\$851.7 million
- Increased by approximately 7.1% period-on-period mainly due to:
 - Continual expansion into the sportswear and apparel materials segments
 - Revenue from the sales of sportswear and apparel fabric materials increased by approximately 21.6% period-on-period



❖ Elastic webbing

- Revenue: HK\$446.2 million
- Increased by approximately 5.0% period-on-period mainly due to:
 - The increase in average selling price

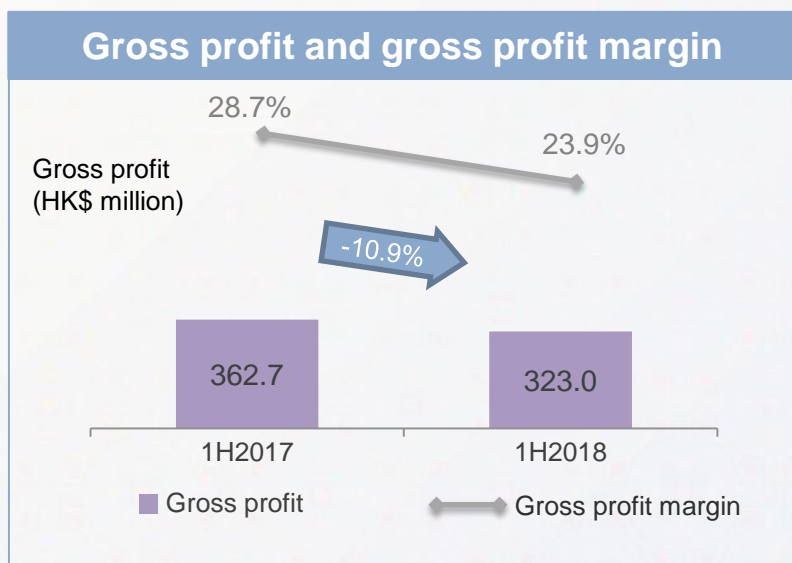


❖ Lace

- Revenue: HK\$53.4 million
- Increased by approximately 25.6% period-on-period mainly due to:
 - The Group's dedication in cross-selling its different primary products
 - The increase in sales volume of lace



Gross profit and gross profit margin



Gross profit margin

	1H2018	1H2017	Change
Overall	23.9%	28.7%	-4.8% pts
Elastic Fabric	18.9%	27.5%	-8.6% pts
- Lingerie	20.7%	26.9%	-6.2% pts
- Sportswear and apparel	16.7%	28.4%	-11.7% pts
Elastic Webbing	30.6%	29.3%	+1.3% pts
Lace	48.1%	46.4%	+1.7% pts

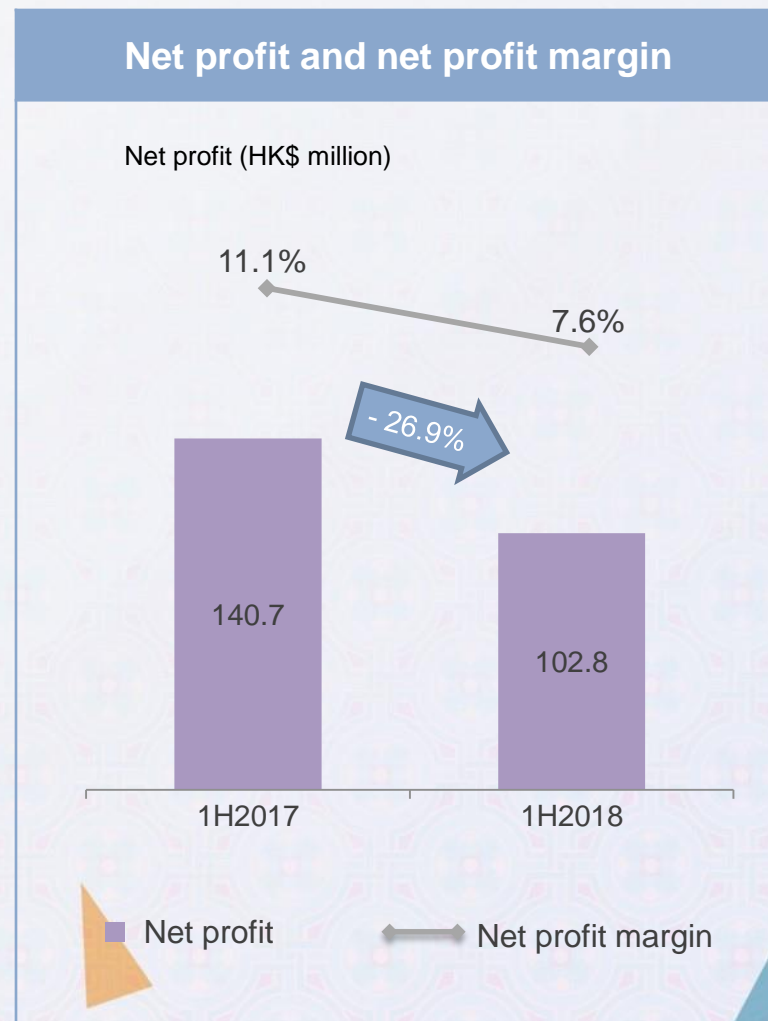
- ❖ Gross profit decreased by approximately 10.9% to HK\$323.0 million
- ❖ Overall gross profit margin reduced by approximately 4.8 percentage points to approximately 23.9%, mainly due to:
 - a lower-than-expected revenue from sales of elastic fabric;
 - the overall higher raw material costs and manufacturing overheads; and
 - the increase in overall costs due to Renminbi appreciation

Net profit and net profit margin

Historical net profit margin			
FY2017	1H2017	2H2017*	1H2018
10.9%	11.1%	10.6%	7.6%

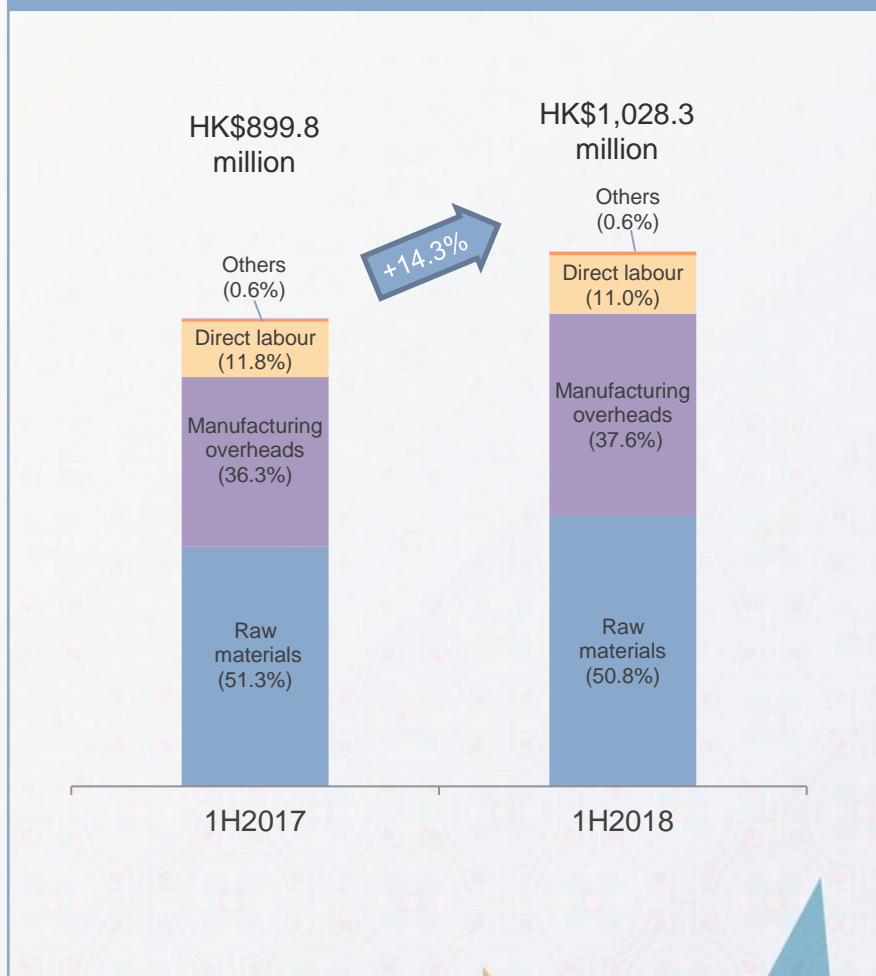
- ❖ Net profit for 1H2018 decreased by approximately 26.9% to HK\$102.8 million (1H2017: HK\$140.7 million)
- ❖ Net profit margin for 1H2018 decreased by approximately 3.5 percentage points to approximately 7.6% (1H2017: 11.1%)
- ❖ The decrease in net profit and net profit margin was mainly due to:
 - a lower gross profit margin attained;
 - the start-up costs of the operations in Sri Lanka;
 - the ramp-up costs of the operation in Vietnam;
 - the increase in finance costs; and
 - the increase in costs or losses due to Renminbi appreciation

* 2H2017 referred to the six months ended 31 December 2017.



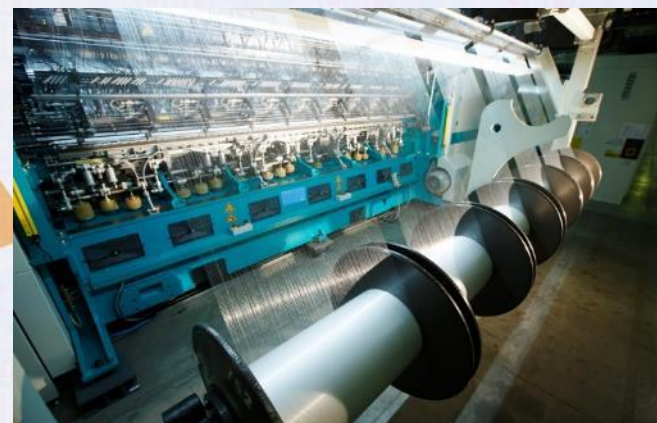
Cost of sales

Cost of sales - by nature of cost

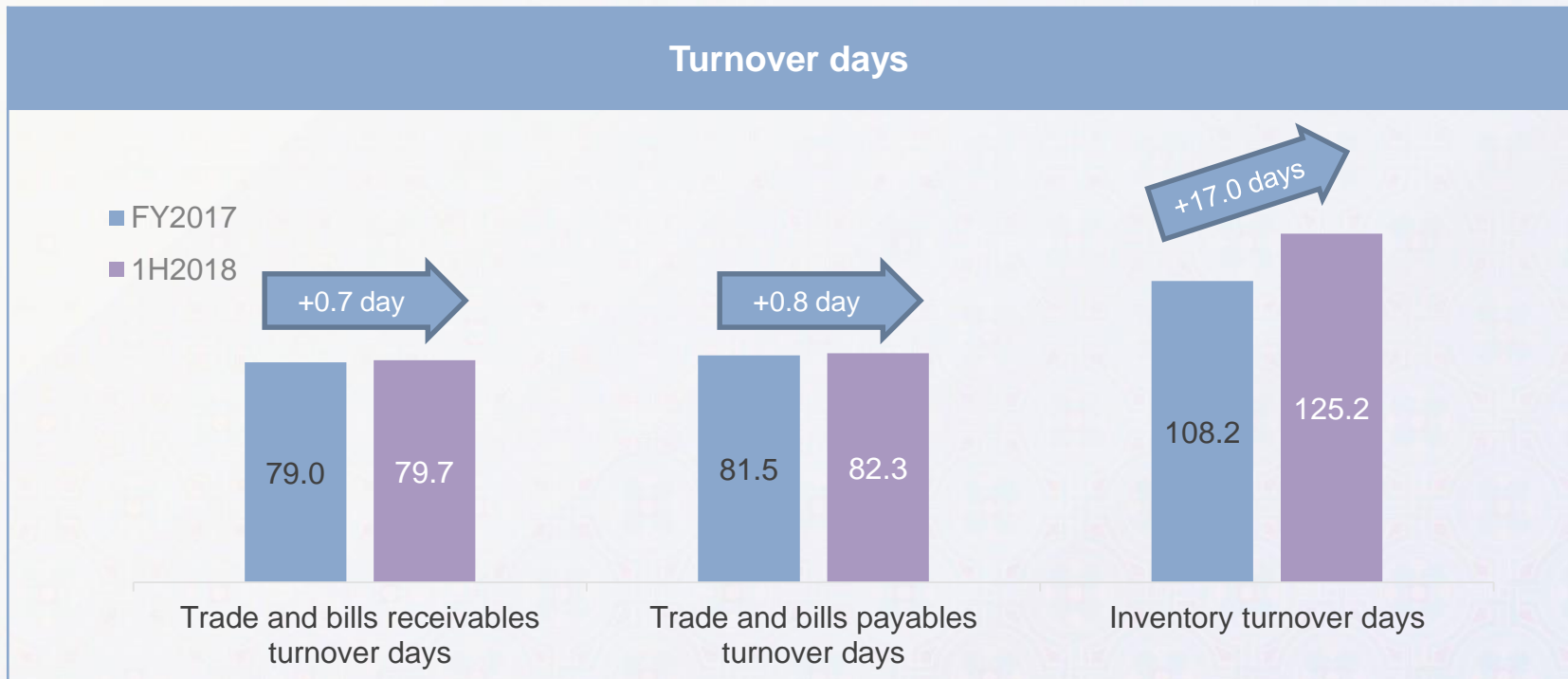


❖ Cost of sales amounted to HK\$1,028.3 million, representing an increase of approximately 14.3% period-on-period, mainly due to:

- the increase in overall sales volume;
- the overall increment in raw material prices;
- the increase in overall manufacturing overheads driven by the Group's continued business expansion as well as higher production costs to cope with the more stringent environmental rules and regulations; and
- the overall increase in costs due to Renminbi appreciation for most time during the six months ended 30 June 2018



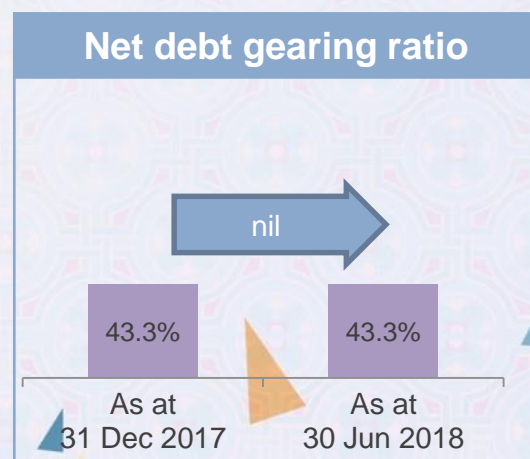
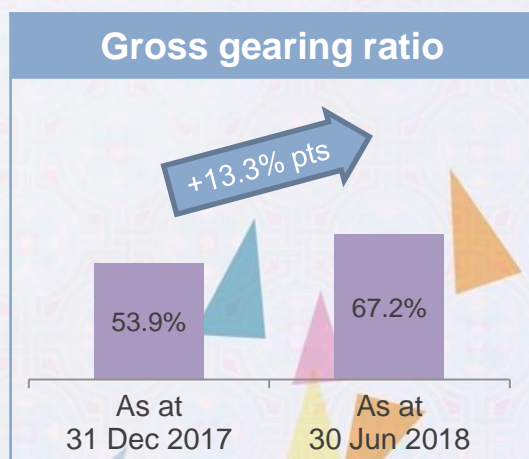
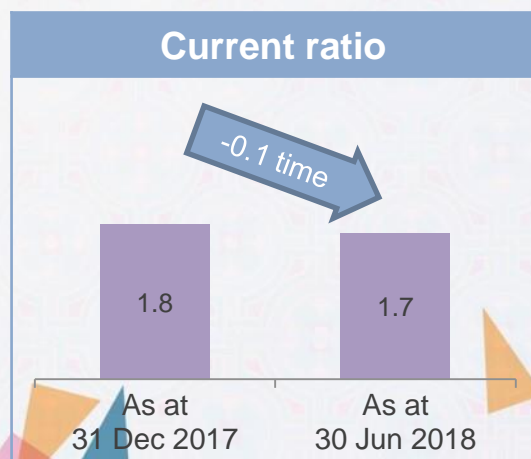
Working capital management



- ❖ Trade and bills receivables turnover days remained relatively stable
- ❖ Trade and bills payables turnover days remained relatively stable
- ❖ Increase in inventory turnover days was primarily attributable to:
 - the fact that more raw materials being purchased by the Group to cope with the rising raw material prices; and
 - the shorter production time as demanded by customers, in which more work-in-progress inventories were prepared

Liquidity and financial resources

	As at 31 December 2017 (HK\$ million) (audited)	As at 30 June 2018 (HK\$ million) (unaudited)
Pledged bank deposits	54.6	52.3
Short term bank deposits	11.7	20.6
Bank balances and cash	176.7	485.8
Net working capital (current assets less current liabilities)	744.3	761.9
Net debt position (sum of bank deposits and bank balances and cash, less total bank borrowings)	(997.2)	(1,012.1)



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Section 2

BUSINESS HIGHLIGHTS



Leading market position with continuous growth



1. Strengthened one-stop solutions strategy

- A comprehensive product portfolio, comprising of elastic fabric, elastic webbing and lace for various applications including lingerie, sportswear and apparel

2. Strategically penetrating sportswear and apparel materials market

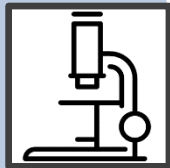
- Enormous market potential with sportswear and apparel materials market
- Achieved high growth since the official launch in 2012
- Comprising 28.8% of overall revenue



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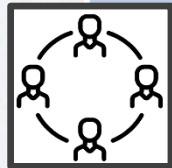
3. Enhanced innovation and R&D capabilities

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



4. Close collaboration with leading lingerie and sportswear and apparel brands

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



1. Strengthened one-stop solutions strategy

Helping customers to achieve

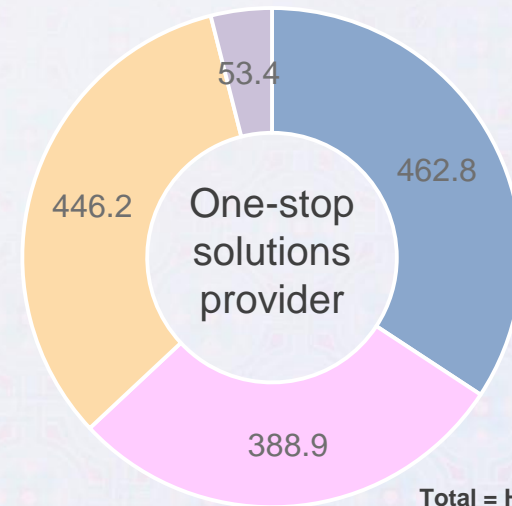
- ✓ More simplified procurement process
- ✓ Synchronisation of colors for different components within a lingerie product
- ✓ Shorter inventory cycle and production lead time
- ✓ Help lingerie customers to expand into sportswear and apparel segments

Helping Best Pacific to achieve

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



Comprehensive Product Portfolio (HK\$ million)



Total = HK\$1,351.3 million

- Elastic fabric - Lingerie
- Elastic fabric - Sportswear and apparel
- Elastic webbing
- Lace

*Revenue contribution by product categories in 1H2018



2. Strategically penetrating sportswear and apparel materials market



+21.6%

period-on-period

Revenue from the sales of sportswear and apparel fabric materials in 1H2018

Robust revenue growth

We continue to expand and diversify our customer portfolio

- ✓ Collaborated with well-known international sportswear and apparel brands in launching products with revolutionary innovative concepts
- ✓ Comfort and functionality blended into the design of sportswear and apparel

VICTORIA
SPORT

lululemon

athletica

PINK
VICTORIA'S SECRET


UNDER ARMOUR®

3. Enhanced innovation and R&D capabilities



Strategic competitiveness

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



Strong R&D capabilities

- R&D team consists of over 100 technicians who have been offered technical training on a periodic basis
- Obtained qualification as a High and New Technology Enterprise in the PRC since 2010



Continuous investment

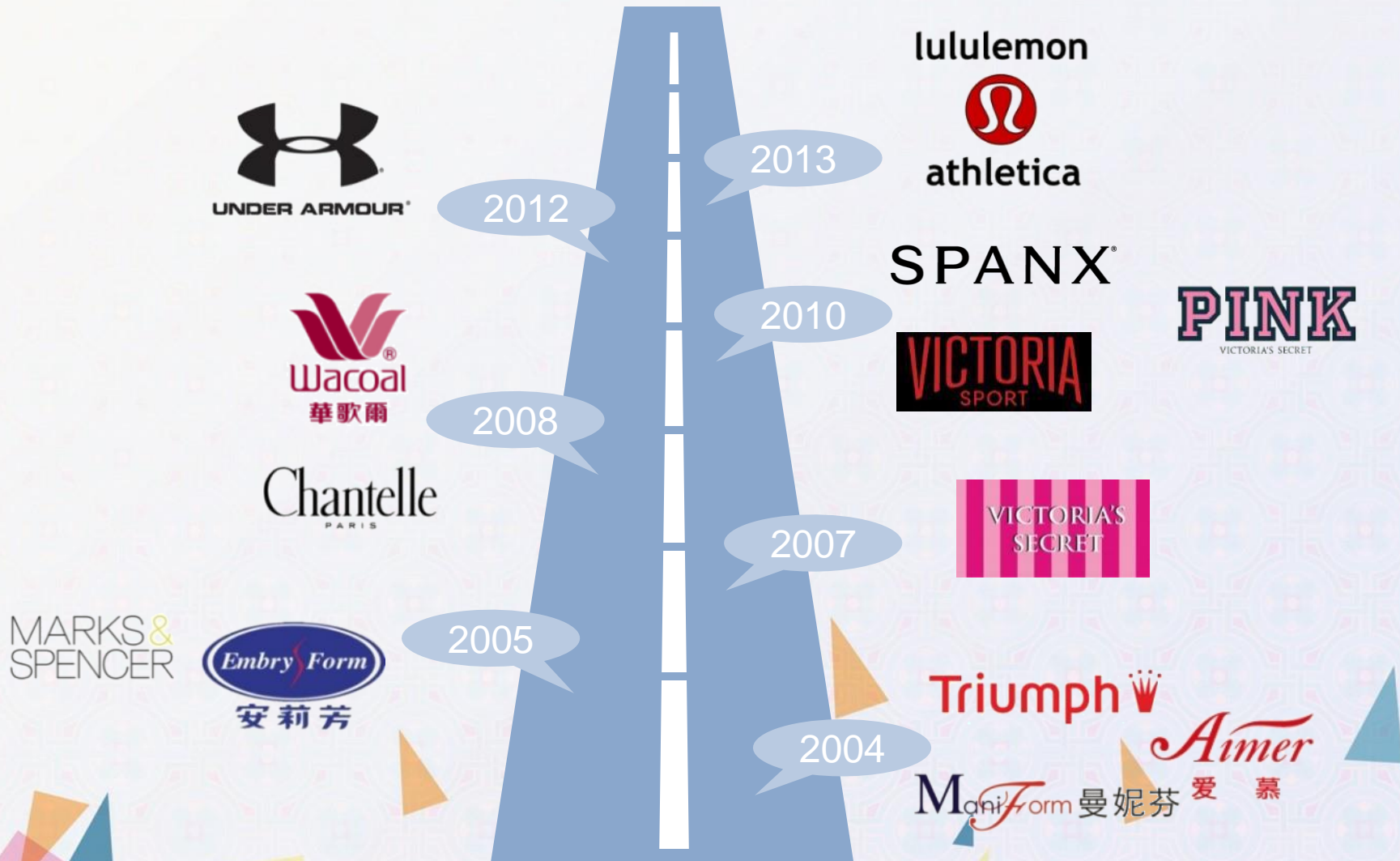
- Invested approximately 3% of its revenue in R&D annually
- Established Best Pacific Institute of Technology and Research in June 2016



4. Close collaboration with leading lingerie and sportswear and apparel brands



Other leading international lingerie, apparel and sportswear brands



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Section 3

INTERNATIONAL FOOTPRINT



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Section 3.1

OVERSEAS FACTORY - VIETNAM



Overseas factory - Vietnam



Licence

- Successfully obtained the approval for sewage treatment with daily discharge capacity of wastewater of maximum of 20,000 tonnes of waste water per day



Commencement

- Trial production commenced in July 2017
- First batch of production in the third quarter of 2017
- Phase 2 development plan is in progress



Manpower

- Over 700 staff currently employed in Vietnam
- Expected to hire up to approximately 1,200 local workforce



Overseas factory - Vietnam

Production base: **Vietnam Singapore Industrial Park (“VSIP”), Hai Duong, Vietnam**



Total investments: ~ HK\$600 million



Total designed annual production capacity

- To increase capacity in elastic fabric and elastic webbing production by approximately 25% - 30% as compared to the relevant capacities as of 31 December 2015



Gross floor area : ~ 121,804 square meters



- Land A: ~ 70,569 square meters
- Land B: ~ 51,235 square meters

Construction status

- Phase 1 completed in the third quarter of 2017
- Phase 2 in progress (expected to be completed by the end of 2018)



Local tax incentives:

- ✓ Total waiver of tax – first two years of profitable operations
- Half tax rate - subsequent four years

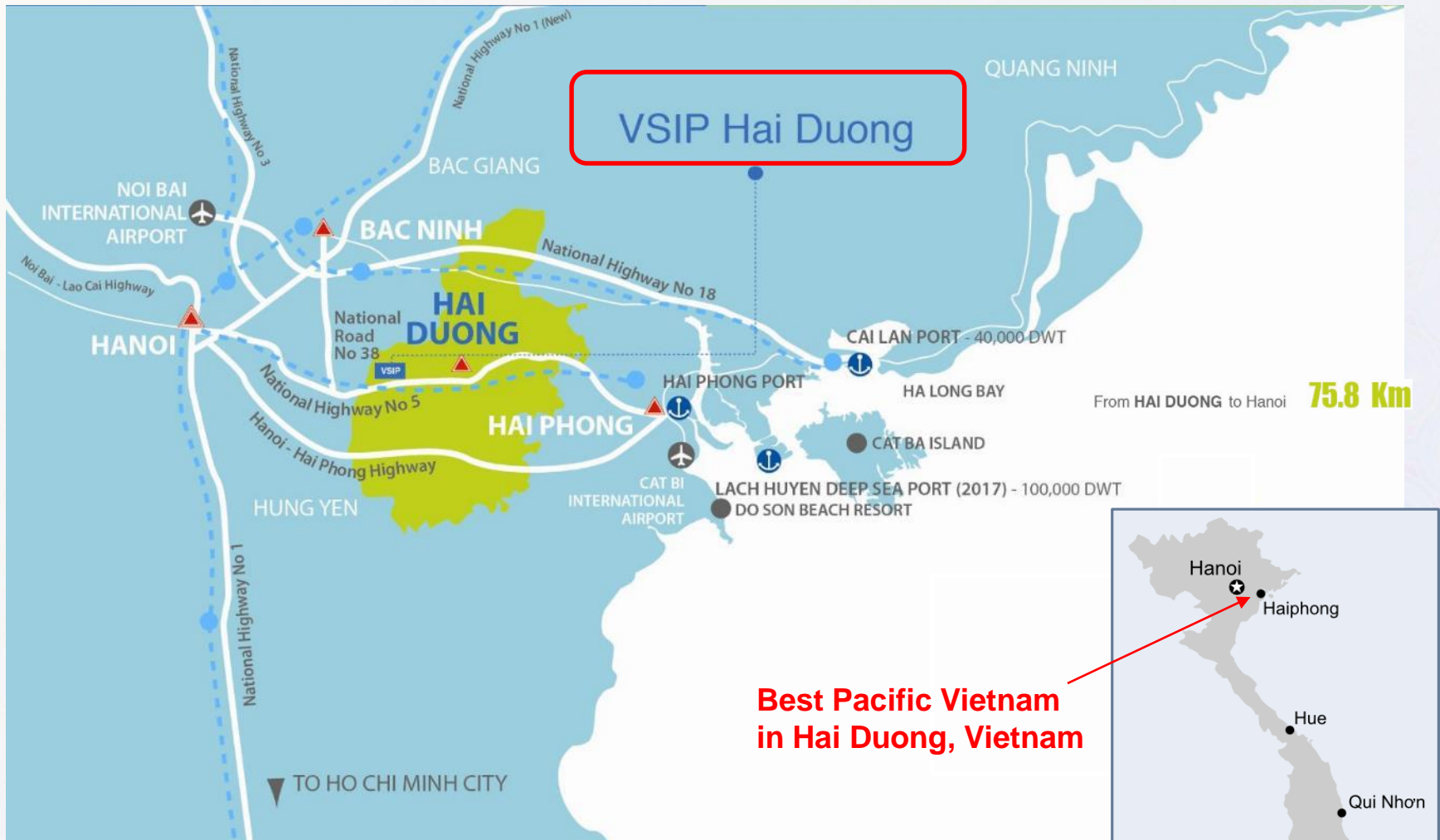
- ✓ Capture the potential market opportunities through neighbourhood advantages

Costs savings on:

- ✓ Lower labour costs
- Logistic costs



Overseas factory - Vietnam



Source: VSIP

**Best Pacific Vietnam
in Hai Duong, Vietnam**

Overseas factory - Vietnam



Overall site (bird view)

Main entrance



Overall site (side view)

Overseas factory - Vietnam



Production area



Dyeing facilities



Warehouse

Overseas factory - Vietnam

Construction of Phase 2 building

Construction of Phase 2 building



Construction of Phase 2 building

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Section 3.2

OVERSEAS FACTORY – SRI LANKA



Joint Venture with Brandix Lanka Limited ("Brandix")

Subject	Description	
Date of shareholders agreement	<ul style="list-style-type: none"> - 6 November 2017 - Best Pacific Textiles Lanka (Pvt) Ltd, a joint venture, is established with Brandix 	
Shareholding structure	Best Pacific: 75%	Brandix: 25%
Particular of Brandix and its group	<ul style="list-style-type: none"> - One of the largest apparel exporters in Sri Lanka - Over 40 manufacturing locations around the world - Over 55,000 employees - A preferred solutions provider to some of the world's leading apparel brands 	
Benefits to Best Pacific	<p>Market share gain</p> <ul style="list-style-type: none"> - Best Pacific will be able to leverage on Brandix's well-established presence and experience in Sri Lanka to facilitate the development of the joint venture 	

Joint Venture with Brandix

Subject	Description
Total investment amount	<ul style="list-style-type: none">- Approximately USD70,000,000- Approximately USD22,000,000 had been injected to the joint venture
Location	<ul style="list-style-type: none">- Pannala, Sri Lanka- Approximately 63.8Km from Colombo to Pannala
Business of the joint venture	<ul style="list-style-type: none">- Manufacturing and the sales of synthetic textiles and textile related products
Construction	<ul style="list-style-type: none">- Construction started in April 2018- Expected to be completed by the end of 2018
Trial production	<ul style="list-style-type: none">- Expected to start in the first quarter of 2019

Joint Venture with Brandix



Effluent Treatment Plant



Rural Water Treatment Plant



Canteen & Staff Dormitory



Engineering & Power Centre

Joint Venture with MAS Capital (Private) Limited ("MAS")

Subject	Description	
Date of sales and purchase agreement and shareholders agreement	<ul style="list-style-type: none"> - 4 December 2017 - Acquisition of 51% equity interest of Trischel Fabric (Private) Limited ("Trischel") from MAS was completed on 1 August 2018 	
Shareholding structure	Best Pacific: 51%	MAS: 49%
Particular of MAS and its group	<ul style="list-style-type: none"> - One of the largest apparel and textile manufacturers in South Asia - Over 50 manufacturing locations around the world - Over 90,000 employees - Partners with some of the world's foremost brands in fashion and style 	
Benefits to Best Pacific	<p>Market share gain</p> <ul style="list-style-type: none"> - Best Pacific will be able to leverage on MAS's well-established presence and experience in Sri Lanka to facilitate the development of the joint venture 	

Joint Venture with MAS

Subject	Description
Total consideration	<ul style="list-style-type: none">- 51% of the audited NAV of the Trischel as at 1 August 2018- no more than USD50,000,000
Location	<ul style="list-style-type: none">- Thulhiriya, Sri Lanka- Approximately 76.4Km from Colombo to Thulhiriya
Business of the joint venture	<ul style="list-style-type: none">- Manufacturing of warp and weft knitted fabric, and the importation of yarn and greige fabric and complementary accessories for dyeing and finishing for export
Project status	<ul style="list-style-type: none">- Best Pacific already took control of operations in August 2018

International footprint and production capacity



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THANK YOU

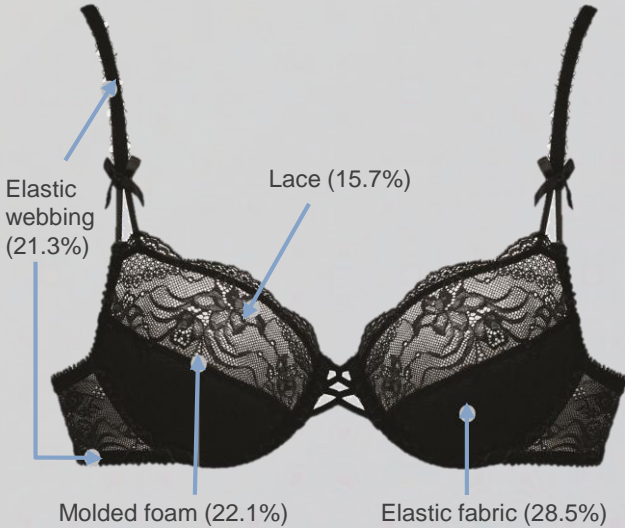
Investor relations and media contact

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Best Pacific's innovations

One-stop solutions provider of lingerie materials



* Cost contribution of lingerie components within a typical bra

Strategically penetrating the sportswear and apparel market with enormous potential

