BEST PACIFIC

**Best Pacific International Holdings Limited**

**超盈國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2111)**

# ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

**HIGHLIGHTS**

- The Group's revenue for the year ended 31 December 2018 amounted to approximately HK$3.21 billion, representing an increase of approximately 14.9% when compared to the year ended 31 December 2017.

  Sales revenue of elastic fabric achieved a year-on-year growth of approximately 21.6%, in which the Group recorded a year-on-year growth of approximately 18.0% in sales revenue of sportswear and apparel fabric materials.

- The Group's gross profit for the year ended 31 December 2018 amounted to approximately HK$792.0 million, representing an increase of approximately 2.5% when compared to the year ended 31 December 2017. Gross profit margin decreased by approximately 2.9 percentage points to approximately 24.7%, as compared to the year ended 31 December 2017.

- Net profit for the year ended 31 December 2018 amounted to approximately HK$280.2 million, representing a decrease of approximately 7.7% as compared to approximately HK$303.6 million for the year ended 31 December 2017. The Group recorded a lower net profit margin of approximately 8.7% for the year ended 31 December 2018, representing a decrease of approximately 2.2 percentage points, as compared to approximately 10.9% for the year ended 31 December 2017.

- Basic earnings per share was approximately HK27.34 cents for the year ended 31 December 2018, representing a decrease of approximately 7.2% from approximately HK29.45 cents for the year ended 31 December 2017.

- Proposed to declare a final dividend of HK6.7 cents per share in respect of the year ended 31 December 2018 (2017: HK5.9 cents).

The board (the "**Board**") of directors (the "**Directors**") of Best Pacific International Holdings Limited (the "**Company**" or "**Best Pacific**" or "**We**") announces the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017, as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2018*

| | *Notes* | **2018** *HK$'000* | 2017 *HK$'000* |
|---|---|---|---|
| Revenue | *3* | **3,212,625** | 2,794,811 |
| Cost of sales | | **(2,420,664)** | (2,022,139) |
| Gross profit | | **791,961** | 772,672 |
| Other income | | **40,835** | 50,657 |
| Other gains and losses | | **4,998** | (14,351) |
| Selling and distribution expenses | | **(153,420)** | (149,072) |
| Administrative expenses | | **(199,118)** | (183,990) |
| Research and development costs | | **(91,450)** | (83,999) |
| Share of result of a joint venture | | **3,346** | 3,195 |
| Finance costs | | **(66,350)** | (35,219) |
| Profit before taxation | *5* | **330,802** | 359,893 |
| Income tax expense | *6* | **(50,570)** | (56,258) |
| **Profit for the year** | | **280,232** | 303,635 |
| **Profit (loss) for the year attributable to** | | | |
| – Owners of the Company | | **283,553** | 304,219 |
| – Non-controlling interests | | **(3,321)** | (584) |
| | | **280,232** | 303,635 |
| **Earnings per share** | *8* | | |
| – Basic (HK cents) | | **27.34** | 29.45 |
| – Diluted (HK cents) | | **27.29** | 29.29 |

| | 2018 | 2017 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Profit for the year** | **280,232** | 303,635 |
| **Other comprehensive (expense) income:** | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences arising on translation of foreign operations | **(141,249)** | 181,926 |
| Share of translation reserve of a joint venture | **(612)** | 906 |
| Fair value gain on an available-for-sale financial asset | **–** | 515 |
| Reclassified to profit or loss on disposal of an available-for-sale financial asset | **–** | (250) |
| Items that will not be reclassified to profit or loss: | | |
| Fair value gain on investment in a partnership | **900** | – |
| Remeasurement of retirement benefit obligations, net of tax | **1,808** | – |
| **Other comprehensive (expense) income for the year** | **(139,153)** | 183,097 |
| **Total comprehensive income for the year** | **141,079** | 486,732 |
| **Total comprehensive income (expense) for the year attributable to** | | |
| – Owners of the Company | **143,654** | 487,316 |
| – Non-controlling interests | **(2,575)** | (584) |
| | **141,079** | 486,732 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2018*

| | Notes | 2018<br>*HK$'000* | 2017<br>*HK$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **2,703,094** | 2,277,003 |
| Prepaid lease payments | | **118,331** | 103,021 |
| Interest in a joint venture | | **35,147** | 32,413 |
| Deposits | | **80,928** | 104,838 |
| Investment in a partnership | | **18,642** | – |
| Available-for-sale financial asset | | **–** | 27,512 |
| Deferred tax assets | | **4,371** | 774 |
| | | **2,960,513** | 2,545,561 |
| **Current assets** | | | |
| Inventories | | **865,105** | 694,457 |
| Prepaid lease payments | | **2,987** | 2,593 |
| Trade and bills receivables | *9* | **730,661** | 648,359 |
| Other receivables, deposits and prepayments | | **70,869** | 80,537 |
| Amounts due from related companies | | **3,937** | 366 |
| Pledged bank deposits | | **82,220** | 54,623 |
| Short term bank deposits | | **12,249** | 11,687 |
| Bank balances and cash | | **459,894** | 176,715 |
| | | **2,227,922** | 1,669,337 |
| **Current liabilities** | | | |
| Trade payables | *10* | **208,961** | 181,616 |
| Bills payables | *10* | **396,142** | 285,175 |
| Other payables and accrued charges | | **222,676** | 183,344 |
| Contract liabilities | | **56,493** | – |
| Bank borrowings | *11* | **789,696** | 262,486 |
| Obligations under finance leases | | **–** | 629 |
| Tax payables | | **21,438** | 11,740 |
| Bank overdrafts | *11* | **12,385** | – |
| | | **1,707,791** | 924,990 |
| **Net current assets** | | **520,131** | 744,347 |
| **Total assets less current liabilities** | | **3,480,644** | 3,289,908 |

| | Notes | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Bank and other borrowings | 11 | **1,004,462** | 977,776 |
| Derivative financial instrument | | **3,195** | 4,426 |
| Deferred income | | **5,282** | 7,044 |
| Deferred tax liabilities | | **4,825** | – |
| Retirement benefit obligations | | **5,460** | – |
| | | **1,023,224** | 989,246 |
| **Net assets** | | **2,457,420** | 2,300,662 |
| **Capital and reserves** | | | |
| Share capital | 12 | **10,397** | 10,365 |
| Reserves | | **2,362,260** | 2,290,881 |
| **Equity attributable to owners of the Company** | | **2,372,657** | 2,301,246 |
| **Non-controlling interests** | | **84,763** | (584) |
| **Total equity** | | **2,457,420** | 2,300,662 |

## NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AND STATEMENT OF FINANCIAL POSITION

*For the year ended 31 December 2018*

### 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 and ultimate holding company is Grandview Capital Investment Limited, which is incorporated in the British Virgin Islands and is wholly owned by Mr. Lu Yuguang, who is also the Chairman and executive director of the Company. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 23 May 2014.

The functional currency of the Company is Hong Kong dollar ("**HK$**"), which is the same as the presentation currency of the consolidated financial statements.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

**New and Amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

| | |
|---|---|
| HKFRS 9 | *Financial Instruments* |
| HKFRS 15 | *Revenue from Contracts with Customers and the related Amendments* |
| HK(IFRIC)-Int 22 | *Foreign Currency Transactions and Advance Consideration* |
| Amendments to HKFRS 2 | *Classification and Measurement of Share-based Payment Transactions* |
| Amendments to HKFRS 4 | *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts* |
| Amendments to HKAS 28 | *As part of the Annual Improvements to HKFRSs 2014-2016 Cycle* |
| Amendments to HKAS 40 | *Transfers of Investment Property* |

Except as described below, the application of the new and amendments to HKFRSs and interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

#### *2.1 HKFRS 15 "Revenue from Contracts with Customers"*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Manufacturing and trading of elastic fabric and lace
- Manufacturing and trading of elastic webbing

Accounting policies resulting from application of HKFRS 15 will be disclosed in the consolidated financial statements of the Group to be published together with the Group's annual report 2018.

*Summary of effects arising from initial application of HKFRS 15*

Based on the assessment of the Group, the directors of the Company consider that the initial application of HKFRS 15 has resulted in more disclosures and reclassification adjustment as disclosed below, however, there is no material impact on the timing and amounts of revenue recognised in the current and prior accounting periods.

The following reclassification adjustment was made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

| | **Carrying amounts previously reported at 31 December 2017** | **Reclassification** | **Carrying amounts under HKFRS 15 at 1 January 2018** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* *(Note)* | *HK$'000* |
| **Current Liabilities** | | | |
| Other payables and accrued charges | 183,344 | (19,411) | 163,933 |
| Contract liabilities | – | 19,411 | 19,411 |

*Note:* As at 1 January 2018, advances from customers of HK$19,411,000 in respect of manufacturing and trading of elastic fabric, lace and elastic webbing contracts previously included in other payables and accrued charges were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

| | **As reported** | **Reclassification** | **Amounts without application of HKFRS 15** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Current Liabilities** | | | |
| Other payables and accrued charges | 222,676 | 56,493 | 279,169 |
| Contract liabilities | 56,493 | (56,493) | – |

### *2.2 HKFRS 9 "Financial Instruments"*

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 will be disclosed in the consolidated financial statements of the Group to be published together with the Group's annual report 2018.

*Summary of effects arising from initial application of HKFRS 9*

The table below illustrates the classification and measurement of financial assets and items subject to ECL under HKFRS 9 and HKAS 39 and the corresponding tax impact at the date of initial application of HKFRS 9, 1 January 2018.

| | Notes | Available-for-sale financial asset | Investment in a partnership | Trade receivables | Deferred tax assets | Investment revaluation reserve | Retained profits |
|---|---|---|---|---|---|---|---|
| | | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Closing balance at 31 December 2017 – HKAS 39 | | 27,512 | – | 639,089 | 774 | – | 1,482,297 |
| **Effect arising from initial application of HKFRS 9:** | | | | | | | |
| **Reclassification** | | | | | | | |
| From available-for-sale financial asset | *(a)* | (27,512) | 27,512 | – | – | – | – |
| **Remeasurement** | | | | | | | |
| From cost less impairment to fair value | *(a)* | – | (915) | – | – | (915) | – |
| Impairment under ECL model | *(b)* | – | – | (16,231) | 2,608 | – | (13,623) |
| **Opening balance at 1 January 2018** | | – | 26,597 | 622,858 | 3,382 | (915) | 1,468,674 |

*Notes:*

(a) Available-for-sale financial asset

The Group elected to present in other comprehensive income for the fair value changes of its investment in a partnership previously classified as available-for-sale financial asset, which is related to unlisted partnership previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$27,512,000 were reclassified from available-for-sale financial asset to investment in a partnership at fair value through other comprehensive income ("**FVTOCI**"). The fair value loss of HK$915,000 relating to those unlisted equity investment previously carried at cost less impairment were adjusted to investment in a partnership at FVTOCI and investment revaluation reserve as at 1 January 2018.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including bills receivables, other receivables and deposits, amounts due from related companies, pledged bank deposits, short term bank deposits, bank balances and cash, are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, additional credit loss allowance of HK$16,231,000 has been recognised against retained profits. The additional credit loss allowance is charged against trade receivables through credit loss allowance account. The deferred tax assets as at 1 January 2018 also increased by HK$2,608,000.

All credit loss allowances for financial assets at amortised cost as at 31 December 2017 reconciled to the opening credit loss allowances as at 1 January 2018 are as follows:

| | **Trade receivables** *HK$'000* |
|---|---|
| As 31 December 2017 – HKAS 39 | 1,213 |
| Amounts remeasured through opening retained profits | 16,231 |
| **At 1 January 2018** | **17,444** |

3. **REVENUE**

The Group's revenue is derived from manufacturing and trading of elastic fabric, lace and elastic webbing in Hong Kong, the People's Republic of China (the "**PRC**"), the Socialist Republic of Vietnam ("**Vietnam**") and the Democratic Socialist Republic of Sri Lanka ("**Sri Lanka**"), net of discounts and sales related taxes.

**For the year ended 31 December 2018**

***Disaggregation of revenue from contracts with customers***

| | Manufacturing and trading of elastic fabric and lace | Manufacturing and trading of elastic webbing | Total |
|---|---|---|---|
| **Types of goods** | | | |
| **Sales of products** | | | |
| Elastic Fabric | | | |
| – Lingerie | 1,208,905 | – | 1,208,905 |
| – Sportswear and apparel | 939,909 | – | 939,909 |
| | 2,148,814 | – | 2,148,814 |
| Lace | 116,865 | – | 116,865 |
| Elastic webbing | – | 946,946 | 946,946 |
| | 2,265,679 | 946,946 | 3,212,625 |

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

4. **SEGMENT INFORMATION**

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

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

- Manufacturing and trading of elastic fabric and lace

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

- Manufacturing and trading of elastic webbing

  This segment derives its revenue from manufacturing and trading of elastic webbing made 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 year ended 31 December 2018***

| | **Manufacturing and trading of elastic fabric and lace** | **Manufacturing and trading of elastic webbing** | **Total** |
|---|---|---|---|
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Segment revenue from external customers | **2,265,679** | **946,946** | **3,212,625** |
| Segment profits | **218,109** | **185,646** | **403,755** |
| Unallocated other income | | | **14,414** |
| Unallocated other gains and losses | | | **12,667** |
| Unallocated corporate expenses | | | **(37,030)** |
| Share of result of a joint venture | | | **3,346** |
| Finance costs | | | **(66,350)** |
| Profit before taxation | | | **330,802** |

*For the year ended 31 December 2017*

| | Manufacturing and trading of elastic fabric and lace | Manufacturing and trading of elastic webbing | Total |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Segment revenue from external customers | 1,853,249 | 941,562 | 2,794,811 |
| Segment profits | 248,296 | 187,341 | 435,637 |
| Unallocated other income | | | 7,408 |
| Unallocated other gains and losses | | | (13,438) |
| Unallocated corporate expenses | | | (37,690) |
| Share of result of a joint venture | | | 3,195 |
| Finance costs | | | (35,219) |
| Profit before taxation | | | 359,893 |

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, dividend income from an available-for-sale financial asset, change in fair value of derivative financial instrument, net foreign exchange gain (loss), share of result of a joint venture, gain on disposal of an available-for-sale financial asset, corporate expenses and finance costs. Corporate expenses include directors' remuneration paid or payable by the Group, 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.

**Segment assets and liabilities**

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

***As at 31 December 2018***

| | **Manufacturing and trading of elastic fabric and lace** *HK$'000* | **Manufacturing and trading of elastic webbing** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|
| **ASSETS** | | | |
| Segment assets | **3,569,484** | **706,495** | **4,275,979** |
| Property, plant and equipment | | | **201,838** |
| Prepaid lease payments | | | **19,252** |
| Interest in a joint venture | | | **35,147** |
| Investment in a partnership | | | **18,642** |
| Deferred tax assets | | | **4,371** |
| Other receivables, deposits and prepayments | | | **75,766** |
| Amount due from a related company | | | **3,077** |
| Pledged bank deposits | | | **82,220** |
| Short term bank deposits | | | **12,249** |
| Bank balances and cash | | | **459,894** |
| Total assets | | | **5,188,435** |
| **LIABILITIES** | | | |
| Segment liabilities | **671,626** | **207,220** | **878,846** |
| Other payables and accrued charges | | | **16,168** |
| Bank and other borrowings | | | **1,794,158** |
| Tax payables | | | **21,438** |
| Deferred tax liabilities | | | **4,825** |
| Derivative financial instrument | | | **3,195** |
| Bank overdrafts | | | **12,385** |
| Total liabilities | | | **2,731,015** |

*As at 31 December 2017*

| | Manufacturing and trading of elastic fabric and lace | Manufacturing and trading of elastic webbing | Total |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **ASSETS** | | | |
| Segment assets | 3,079,139 | 783,098 | 3,862,237 |
| Property, plant and equipment | | | 3,817 |
| Interest in a joint venture | | | 32,413 |
| Available-for-sale financial asset | | | 27,512 |
| Deferred tax assets | | | 774 |
| Other receivables, deposits and prepayments | | | 45,120 |
| Pledged bank deposits | | | 54,623 |
| Short term bank deposits | | | 11,687 |
| Bank balances and cash | | | 176,715 |
| Total assets | | | 4,214,898 |
| **LIABILITIES** | | | |
| Segment liabilities | 424,754 | 225,507 | 650,261 |
| Other payables and accrued charges | | | 6,918 |
| Bank borrowings | | | 1,240,262 |
| Obligations under finance leases | | | 629 |
| Tax payables | | | 11,740 |
| Derivative financial instrument | | | 4,426 |
| Total liabilities | | | 1,914,236 |

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

- all assets are allocated to operating and reportable segments, other than property, plant and equipment and prepaid lease payments for corporate use (including the prepaid lease payments and property and plant under construction in Sri Lanka as at 31 December 2018), interest in a joint venture, investment in a partnership (2017: available-for-sale financial asset), deferred tax assets, amount due from a related company in Sri Lanka, 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 bank and other borrowings, bank overdrafts, obligations under finance leases, tax payables, deferred tax liabilities, derivative financial instrument and certain corporate liabilities.

**Other segment information**

***For the year ended 31 December 2018***

| | **Manufacturing and trading of elastic fabric and lace** *HK$'000* | **Manufacturing and trading of elastic webbing** *HK$'000* | **Unallocated** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| Amounts included in the measure of segment profit or segment assets: | | | | |
| Additions of property, plant and equipment | **314,349** | **135,064** | **199,083** | **648,496** |
| Additions of property, plant and equipment through acquisition of a subsidiary | **128,189** | **–** | **–** | **128,189** |
| Additions of prepaid leased payments | **–** | **–** | **20,130** | **20,130** |
| Additions of prepaid leased payments through acquisition of a subsidiary | **2,000** | **–** | **–** | **2,000** |
| Depreciation of property, plant and equipment | **180,698** | **53,558** | **562** | **234,818** |
| Amortisation of prepaid lease payments | **2,102** | **537** | **254** | **2,893** |
| Net remeasurement of credit loss allowance for trade receivables | **1,284** | **6,802** | **–** | **8,086** |

*For the year ended 31 December 2017*

| | Manufacturing and trading of elastic fabric and lace *HK$'000* | Manufacturing and trading of elastic webbing *HK$'000* | Unallocated *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| Amounts included in the measure of segment profit or segment assets: | | | | |
| Additions of property, plant and equipment | 777,358 | 215,325 | 5 | 992,688 |
| Additions of prepaid leased payments | 14,258 | 9,826 | – | 24,084 |
| Depreciation of property, plant and equipment | 116,727 | 35,821 | 488 | 153,036 |
| Amortisation of prepaid lease payments | 1,867 | 628 | – | 2,495 |

Other than the segment information disclosed above, there was no other information reviewed by the CODM for both years.

**Geographical information**

The Group's operations are located in the PRC, Hong Kong, Vietnam and Sri Lanka. The Group's revenue from external customers based on the location of the customers are detailed below:

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **1,075,111** | 946,480 |
| The PRC | **738,156** | 687,977 |
| Sri Lanka | **539,982** | 416,741 |
| Vietnam | **201,035** | 125,268 |
| Indonesia | **116,957** | 77,240 |
| Thailand | **101,812** | 108,786 |
| Europe and the United States of America | **89,217** | 96,018 |
| India | **66,746** | 57,784 |
| South Korea | **54,277** | 36,112 |
| Others | **229,332** | 242,405 |
| | **3,212,625** | 2,794,811 |

Non-current assets (excluding financial assets and deferred tax assets) by geographical location of assets are detailed below:

| | As at 31 December | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| The PRC | **1,846,926** | 1,933,706 |
| Hong Kong | **10,227** | 8,751 |
| Sri Lanka | **337,346** | – |
| Vietnam | **743,001** | 567,826 |
| | **2,937,500** | 2,510,283 |

**Information about major customers**

Revenues from customers contributing over 10% of the total revenue of the Group for the years ended 31 December 2018 and 2017 are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| Revenue from manufacturing and trading of elastic fabric and lace | | |
| – customer A | **411,252** | 265,659 |
| – customer B | **361,094** | 243,069 |
| Revenue from manufacturing and trading of elastic webbing | | |
| – customer A | **91,486** | 96,926 |
| – customer B | **72,003** | 61,624 |

## 5. PROFIT BEFORE TAXATION

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit before taxation has been arrived at after charging (crediting): | | |
| Auditor's remuneration | **2,218** | 2,172 |
| Staff costs | | |
| Directors' remuneration | **12,711** | 14,277 |
| Other staff costs | | |
| – salaries and other benefits | **520,490** | 491,265 |
| – contributions to retirement benefits schemes | **40,029** | 43,498 |
| – equity-settled share-based payments | **–** | 1,068 |
| | **573,230** | 550,108 |
| Depreciation of property, plant and equipment | **234,818** | 153,036 |
| Depreciation capitalised in inventories | **(176,986)** | (116,128) |
| | **57,832** | 36,908 |
| Amortisation of prepaid lease payments | **2,893** | 2,495 |
| Minimum lease payments in respect of rented premises | **23,674** | 23,247 |
| Cost of inventories recognised as an expense | **2,420,664** | 2,022,139 |

## 6. INCOME TAX EXPENSE

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax: | | |
| Hong Kong Profits Tax | **18,733** | 26,576 |
| The PRC Enterprise Income Tax ("**EIT**") | **37,077** | 32,045 |
| Under(over)provision in prior years: | | |
| Hong Kong Profits Tax | **137** | 669 |
| The PRC EIT | **(6,234)** | (3,182) |
| | **49,713** | 56,108 |
| Deferred taxation | **857** | 150 |
| | **50,570** | 56,258 |

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime will be applicable to any year of assessment commencing on or after 1 April 2018.

Accordingly, starting from the current year, the Hong Kong Profits Tax for the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25% for both years ended 31 December 2017 and 2018, unless there is any preferential tax treatment applicable.

Dongguan Best Pacific Textile Company Limited ("**Dongguan BPT**"), a subsidiary of the Company, has obtained the qualification as a high and new technology enterprise since 2010, which has been renewed for an additional three years from the financial year ended 31 December 2016. Hence, Dongguan BPT is subject to the preferential tax treatment and the applicable tax rate for both years ended 31 December 2017 and 2018 has been 15%. During the year ended 31 December 2016, Dongguan New Horizon Elastic Fabric Company Limited ("**Dongguan NHE**"), a subsidiary of the Company, has also been qualified as a high and new technology enterprise for three years from the financial year ended 31 December 2016. Dongguan NHE is therefore also subject to the preferential tax treatment and the applicable tax rate for both years ended 31 December 2017 and 2018 has been 15%.

Pursuant to the relevant Vietnam Enterprises Income Tax rules and regulations, the applicable tax rate for the subsidiary operating in Vietnam is 20%. The subsidiary in Vietnam is eligible for tax holiday for two financial years since the first financial year of taxable profit and tax concession at a tax rate of 10% for the following four financial years. With the additional incentive in place during the year ended 31 December 2018, the subsidiary in Vietnam is now eligible for tax holiday for four financial years since the first financial year of taxable profit, tax concession at a tax rate of 5% for the following nine financial years and tax concession at a tax rate of 10% for the next following two financial years. No provision for Vietnam Enterprises Income Tax has been made as the subsidiary in Vietnam has incurred tax loss for the year ended 31 December 2017 whereas the assessable profit for the year ended 31 December 2018 has been fully absorbed by brought forward tax losses and the relevant tax holiday had commenced in the year ended 31 December 2018.

Pursuant to the Inland Revenue Act, No.24 of 2017 in Sri Lanka, the applicable tax rate for the subsidiaries operating in Sri Lanka is 28%. By fulfilling certain export requirements set by the Board of Investment of Sri Lanka, the subsidiaries of the Group in Sri Lanka have enjoyed a preferential tax rate of 14% for the year ended 31 December 2018. In addition, one of these subsidiaries is currently eligible for tax holiday till the year ending 31 December 2024.

Taxation arising in any other jurisdiction is calculated at the rate prevailing in the relevant jurisdiction.

## 7. DIVIDENDS

| | **2018**<br>***HK$'000*** | 2017<br>*HK$'000* |
|---|---|---|
| Dividends for ordinary shareholders of the Company recognised as distribution during the year: | | |
| 2017 Final dividend – HK5.9 cents (2017: 2016 Final dividend HK9.5 cents) per share | **61,161** | 97,845 |

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of HK6.7 cents per ordinary share (approximately HK$69.7 million in aggregate) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

## 8. 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:

| | **2018** | 2017 |
|---|---|---|
| **Earnings** | | |
| Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company) (HK$'000) | **283,553** | 304,219 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **1,037,062,767** | 1,032,867,679 |
| Effect of dilutive potential ordinary shares: | | |
| Share options issued by the Company | **1,824,717** | 5,712,137 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **1,038,887,484** | 1,038,579,816 |

## 9. TRADE AND BILLS RECEIVABLES

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **753,559** | 640,302 |
| Less: Allowance for credit losses | **(24,648)** | (1,213) |
| Total trade receivables | **728,911** | 639,089 |
| Bills receivables | **1,750** | 9,270 |
| Total trade and bills receivables | **730,661** | 648,359 |

The following is an ageing analysis of trade receivables net of credit loss allowance (2017: allowance for bad and doubtful debts) presented based on the date of issuance of monthly statements at the end of each reporting period and ageing analysis of bills receivables presented based on the date of issuance of the bills at the end of each reporting period.

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Trade receivables** | | |
| 0 – 90 days | **681,459** | 563,614 |
| 91 – 180 days | **29,581** | 51,330 |
| Over 180 days | **17,871** | 24,145 |
| | **728,911** | 639,089 |
| **Bills receivables** | | |
| 0 – 90 days | **1,750** | 9,270 |
| | **730,661** | 648,359 |

## 10. TRADE AND BILLS PAYABLES

**Trade payables**

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

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 90 days | **192,771** | 156,373 |
| Over 90 days | **16,190** | 25,243 |
| | **208,961** | 181,616 |

**Bills payables**

The bills payables are secured by pledged bank deposits. The following is an ageing analysis of bills payables presented based on the date of issuance of the bills at the end of each reporting year:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 90 days | **261,009** | 195,430 |
| 91 – 180 days | **135,133** | 89,745 |
| | **396,142** | 285,175 |

## 11. BANK AND OTHER BORROWINGS/BANK OVERDRAFTS

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Bank overdrafts | **12,385** | – |
| Unsecured syndicated loan | **1,194,265** | 965,257 |
| Unsecured bank borrowings | **594,043** | 275,005 |
| Unsecured other borrowing *(Note)* | **5,850** | – |
| | **1,806,543** | 1,240,262 |
| Carrying amount repayable*: | | |
| Within one year | **727,981** | 262,291 |
| More than one year, but not exceeding two years | **660,931** | 188,504 |
| More than two years, but not more than five years | **417,631** | 789,467 |
| | **1,806,543** | 1,240,262 |
| Less: Amounts due within one year or contain a repayment on demand clause shown under current liabilities | **(802,081)** | (262,486) |
| Amounts shown under non-current liabilities | **1,004,462** | 977,776 |
| Carrying amount of bank borrowings that are repayable within one year and contain a repayment on demand clause | **532,328** | 274,810 |
| Carrying amount of bank borrowings that are repayable more than one year but contain a repayment on demand clause | **74,100** | 195 |
| | **606,428** | 275,005 |

* The amounts due are based on scheduled repayment dates set out in the loan agreements and included the unamortised portion of the prepaid transaction cost in relation to the unsecured syndicated loan.

*Note:* Other borrowing represents loan from a non-controlling shareholder of a subsidiary which is unsecured, carries interest at London Interbank Offered Rate ("**LIBOR**") plus 2.4% per annum and repayable in December 2021. Such other borrowing is denominated in United States Dollars ("**US$**").

During the year ended 31 December 2017, the Group entered into a new facility agreement for an unsecured syndicated loan, which is to be repayable by installments, from 13 May 2019 to 13 May 2021 and with an interest rate at Hong Kong Interbank Offered Rate ("**HIBOR**") plus 2.2% for HK$ loan tranche and LIBOR plus 2.2% for US$ loan tranche. The unsecured syndicated Loan is guaranteed by the Company.

The unsecured bank borrowings and bank overdrafts were guaranteed by the Company and/or certain of its subsidiaries as at 31 December 2018 and 2017.

The Group has floating-rate borrowings which carry interest at HIBOR plus 1.50% to 2.50% or LIBOR plus 1.40% to 2.40% (2017: HIBOR plus 1.75% to 3.50%) per annum.

## 12. SHARE CAPITAL

The detailed movements of the Company's share capital is set out below.

| | **Number of shares** | **Amount** | |
|---|---|---|---|
| | | *HK$* | *HK$'000* |
| Ordinary shares of HK$0.01 each | | | |
| Authorised: | | | |
| At 1 January 2017 and 31 December 2017 and 2018 | 50,000,000,000 | 500,000,000 | 500,000 |
| Issued and fully paid: | | | |
| At 1 January 2017 | 1,028,781,000 | 10,287,810 | 10,288 |
| Issue of shares upon exercise of share options *(Note a)* | 7,727,000 | 77,270 | 77 |
| At 31 December 2017 | 1,036,508,000 | 10,365,080 | 10,365 |
| Issue of shares upon exercise of share options *(Note b)* | 3,215,000 | 32,150 | 32 |
| At 31 December 2018 | 1,039,723,000 | 10,397,230 | 10,397 |

All shares issued rank pari passu with other existing shares in all aspects.

*Notes:*

(a) On 12 and 13 January 2017, 30 March 2017, 22, 24 and 31 May 2017, 9, 15 and 29 June 2017, 14, 17, 19, 20, 21, 26 and 28 July 2017 and 14 and 18 September 2017, the Company issued 132,000, 215,000, 150,000, 650,000, 30,000, 1,010,000, 950,000, 400,000, 110,000, 745,000, 1,755,000, 120,000, 210,000, 280,000, 220,000, 480,000, 120,000, and 150,000 shares respectively upon the exercise of share options by a director and certain employees.

(b) On 17 January 2018, 18 September 2018, 2, 13 and 16 November 2018 and 14 December 2018, the Company issued 120,000, 100,000, 1,000,000, 1,500,000, 275,000 and 220,000 shares respectively upon the exercise of share options by two directors and certain employees.

## CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the annual results of the Group for the year ended 31 December 2018.

The year under review was yet another year full of opportunities and challenges. Alongside with the rather relaxed monetary policies from most countries around the world, the economy was expected to continue to grow in 2018, yet less synchronised when compared to 2017. In part, this resembled diverging cyclical positions, with expansions peaking in some large developed countries while others continued to emerge from deep recession. The economies in the United States of America (the "**U.S.**") and the emerging Asia had continued to register robust growth, which was supported by sizable fiscal stimulus, domestic demand-led pickup and favourable export-oriented business environment in selected regions. The controversial Brexit, however, had heightened the risks of financial turmoil and resulted in a disappointed economic growth in the United Kingdom and the euro area.

When we looked back to the PRC, the business activities moderated in the second quarter of 2018, in response to the regulatory tightening of the real estate sector and non-bank financial intermediaries. The export industry in the PRC had also been heavily affected by various market factors, including the growing manufacturing and operating costs, the exchange rate volatilities, and other political events.

In recent years, the manufacturing industry in the PRC had been facing problems of aging population, high wages, intensified environmental regulations and restrained resource supply. The overall increase in costs spent on human resources and the stringent environmental rules and regulations had placed enormous pressure on corporate earnings. Following the sharp Renminbi ("**RMB**") appreciation in 2017, RMB had further appreciated against US$ for most of the six-month period in the first half of 2018. This had further increased the operating costs and had made the recovery or maintenance of corporate margin even more difficult. Best Pacific, with the primary production base domiciled in the PRC in 2018, was no exception and had experienced a decline in profitability.

Since January 2018, with the protectionist rhetoric turned into real actions by the U.S. imposing tariffs on a wide range of imports and trading partners undertaking retaliatory actions, the trade tension has been escalated to an intensity that carries systemic risk to the global economy. An intensification of trade tension and the associated policy uncertainty were believed to dent business sentiment, trigger financial market volatilities, and slow investment and trade.

Despite the twists and turns in the global economy, Best Pacific had continued to leverage on its unique position as a one-stop solutions supplier, its strong research and development capabilities and diverse geographical manufacturing base, and successfully seized further business opportunities from both the lingerie and sportswear and apparel markets. For the year ended 31 December 2018, Best Pacific had attained a record breaking revenue of approximately HK$3,212.6 million, representing a year-on-year growth of approximately 14.9%.

Best Pacific has strategically planned and reacted to the ever-changing market environment. Vietnam had officially become the seventh country ratifying the Comprehensive and Progressive Trans-Pacific Partnership since November 2018. According to the statistics published by the Vietnam Textile and Apparel Association, the national export turnover of textiles and garments of Vietnam is expected to reach US$50 billion by 2025. We are optimistic that such growth will be conducive to our Vietnam operation and its development, leading our Vietnam operation to a greater success in the near future.

On 1 August 2018, Best Pacific completed the acquisition of 51% shareholding in Trischel Fabric (Private) Limited ("**Trischel**"), a company incorporated in Sri Lanka. The partner of this joint venture is MAS Capital (Private) Limited, a wholly-owned subsidiary of MAS Holdings (Pvt) Ltd ("**MAS**"), one of the largest and most recognised apparel and textile manufacturers in the world. The strategic partnership had reinforced Best Pacific's global footprint, thereby facilitating the future development of Best Pacific.

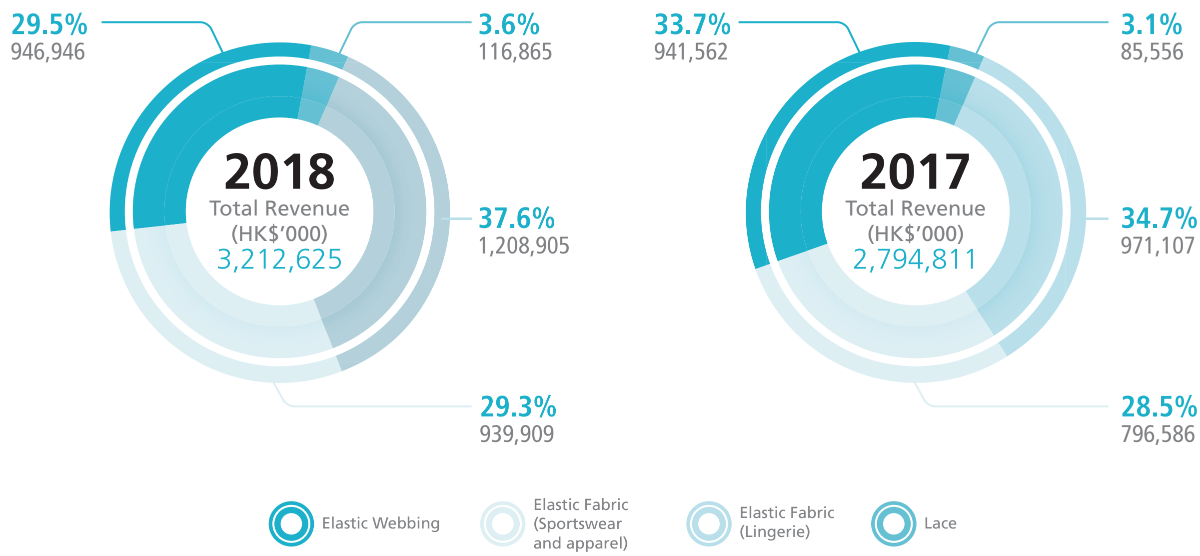
Although there are signs (including the pause in the interest rate raised by the U.S. Federal Reserve) that warrant a wait-and-see attitude towards the global economic outlook in 2019, Best Pacific is confident with its future prospects. On one hand, we will continue ride on our strong edge in research and development capabilities to produce quality products, which are the key to grasp the massive potentials from the sportswear and apparel markets. On the other hand, we believe that internationalisation does not appear overnight and we are one of the fast movers in the industry. The management has been putting unremitting efforts to make Best Pacific a world-class textile player and we will continue to work with our customers, business partners and shareholders to further secure Best Pacific's market position, with a view to delivering promising returns in the near future.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

On 22 January 2019, China announced that its gross domestic product ("**GDP**") came in 6.6% for the whole year 2018, which had been the slowest GDP growth since 1990. Under the shade of the trade tension between the U.S. and the PRC, the exporters in the PRC had also been struggling and reported a subdued set of financial data.

Nevertheless, Best Pacific had been successful in both penetrating new business potentials from existing customers and finding new clients. For the year ended 31 December 2018, Best Pacific continued its growth momentum with the top line hitting a record high of approximately HK$3,212.6 million, representing a revenue increase of approximately 14.9% as compared to the year ended 31 December 2017.




Breaking into the different markets, the Group achieved an inspiring year-on-year growth of approximately 21.6% and 36.6% in its elastic fabric and lace businesses, respectively. On the lingerie side, the Group had been successful in winning a few core programmes from existing clients and had also secured new orders from brand new large customers, particularly in the second half of the year. The massive potential of the sportswear and apparel markets and the increasing awareness of health and fitness across all age groups had certainly contributed to the continuous business growth of Best Pacific. Together with the Group's continuous technological advancement in synthetic textile products, the Group achieved a year-on-year growth of approximately 18.0% in sales revenue of elastic fabric as sportswear and apparel fabric materials in the year under review.

In 2018, the manufacturers in the PRC are generally facing similar problems. In order to cope with the growing market demand and the shorter production lead time, the Group had to increase its investments in inventory, property, plant and equipment. Extra processing costs, as compared to the past, were also inevitably incurred to cope with the ever more stringent environmental protection regulations. Since early 2016, Brent crude oil price had been gradually stepping up and had reached its four-year high at approximately US$86 per barrel in October 2018. The soaring oil prices had forced our synthetic fibre suppliers to transfer part of their costs burden to us by charging higher material unit prices during the year ended 31 December 2018. As a result of the above, our gross profit margin and net profit margin declined to approximately 24.7% and 8.7% for the year ended 31 December 2018, respectively, as compared to approximately 27.6% and 10.9% for the year ended 31 December 2017.

Despite the above-mentioned unfavourable market factors, Best Pacific had reacted proactively by taking various actions and measures in order to cope with the adversity.

| | **For the six months ended 31 December 2018** | **For the six months ended 30 June 2018** | Change *(HK$'000)* | *%* |
|---|---|---|---|---|
| Revenue *(HK$'000)* | **1,861,283** | **1,351,342** | 509,941 | 37.7 |
| Gross profit *(HK$'000)* | **468,946** | **323,015** | 145,931 | 45.2 |
| Gross profit margin *(%)* | **25.2** | **23.9** | 1.3%points | |
| Net profit *(HK$'000)* | **177,446** | **102,786** | 74,660 | 72.6 |
| Net profit margin *(%)* | **9.5** | **7.6** | 1.9%points | |

The Group strived to cater for the changing market preferences by introducing innovative lingerie, sportswear and apparel materials to our customers and brands. "Build on Innovation and Technology" continued to be the foundation and vision of the Group in business management as well as new product development. During the year under review, the Group had diverted further resources to snatch business opportunities from both domestic and overseas markets. When compared to the first half of 2018, revenue increased by approximately 37.7% to approximately HK$1.86 billion in the second half of 2018. The increase was mainly driven by (i) the general industry seasonal effect of more orders in the second half of a year; (ii) orders from brand new large customers; and (iii) the increase in the volume of products sold by the Group after acquisition of a subsidiary of the Company in Sri Lanka in August 2018.

The upsurge in orders received had also improved the utilisation of our production facilities, leading to a corresponding improved profitability. In order to tackle the inflation in costs spent on human resources, automation throughout the existing manufacturing processes had been introduced to the extent possible. Efforts had also been made to streamline our internal workflows and reduce redundancies so as to increase the overall production and operating efficiencies. Together with RMB turning around its rising trend in the second half of 2018, our gross profit margin and net profit margin for the six months ended 31 December 2018 increased to approximately 25.2% and 9.5% respectively, representing improvements of approximately 1.3 percentage points and 1.9 percentage points, respectively, as compared to the six months ended 30 June 2018.

**Dedication to progressive growth**

Best Pacific is dedicated to its long term development and is also ready to convert challenges into driving force. Since 2016, Best Pacific has started its internationalisation plan to establish its manufacturing footprint around the globe. In view of the mounting trade tension between the U.S. and the PRC as well as the comparative advantages of lower manufacturing costs in Vietnam and Sri Lanka, Best Pacific, with its manufacturing sites in Vietnam and Sri Lanka, is in a good position to seize more market share and opportunities from the global apparel market.

***Overseas expansion – Vietnam***

According to the General Statistics Office of Vietnam, the export value of textiles and garments reached US$30 billion in 2018, representing a significant increase of 16.6% as compared to 2017 and attained the second highest export growth among the export categories. Our operation in Vietnam, being the first overseas expansion project of Best Pacific, had been launched successfully and progressed as the management expected. During the year under review, a net profit position was generated in selected months, which had boosted our spirit and encouraged us to continue to devote more resources to the Vietnam operation. Looking forward, with Vietnam being perceived as the key beneficiary of the U.S. – PRC trade war, we intend to gradually increase the production capacity in Vietnam to meet the upsurge in market demand for high quality products, with a view to further consolidating our market position in the region.

***Overseas expansion – Sri Lanka***

In addition to our Vietnam operation, our two joint ventures (the "**JV(s)**") with the two reputable apparel and textile manufacturing industry leaders, namely MAS and Brandix Lanka Limited, in Sri Lanka, had progressed according to our management's expectation. With reference to Trischel, which has become a non-wholly owned subsidiary of the Company since 1 August 2018, a net profit position had been generated in selected months during the year under review. As to Best Pacific Textiles Lanka (Pvt) Ltd, another non-wholly owned subsidiary of the Company in Sri Lanka, the facilities of which are under construction and expected to come into operation by mid-2019. We believe that the strategic partnerships with our JV partners will allow the Group to leverage on their well-established presence in the global apparel market and to facilitate the development of these JVs and the Group in the long run.

## FINANCIAL REVIEW

### Revenue

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

For the year ended 31 December 2018, revenue amounted to approximately HK$3.21 billion, representing an increase of approximately HK$417.8 million, or approximately 14.9%, from approximately HK$2.79 billion for the year ended 31 December 2017. The increase in overall revenue during the year under review was mainly attributable to (i) the continual expansion into the lingerie as well as the sportswear and apparel materials markets; and (ii) the increase in the volume of products sold by the Group after acquisition of a subsidiary of the Company in Sri Lanka in August 2018.

A comparison of the Group's revenue for the years ended 31 December 2017 and 2018 by product categories is as follows:

| | **For the year ended 31 December** | | | | | |
|---|---|---|---|---|---|---|
| | **2018** | | 2017 | | Change | |
| | **Revenue** *(HK$'000)* | **% of Revenue** | Revenue *(HK$'000)* | % of Revenue | *(HK$'000)* | % |
| Elastic fabric | **2,148,814** | **66.9** | 1,767,693 | 63.2 | 381,121 | 21.6 |
| Elastic webbing | **946,946** | **29.5** | 941,562 | 33.7 | 5,384 | 0.6 |
| Lace | **116,865** | **3.6** | 85,556 | 3.1 | 31,309 | 36.6 |
| **Total** | **3,212,625** | **100.0** | 2,794,811 | 100.0 | 417,814 | 14.9 |

For the year ended 31 December 2018, revenue from sales of elastic fabric amounted to approximately HK$2.15 billion, representing an increase of approximately HK$381.1 million, or approximately 21.6%, as compared to the year ended 31 December 2017. In addition to the increase in the volume of products (relevant revenue amounted to approximately HK$109.4 million) sold by the Group after acquisition of a subsidiary of the Company in Sri Lanka in August 2018, the Group had successfully won several core programmes from existing lingerie clients and further penetrated the market by starting business with brand new lingerie customers. Besides, by leveraging on its high product quality, strong innovation and research and development capabilities, and by fostering relationships with different sportswear and apparel brands, the Group continued to expand into the sportswear and apparel materials markets. In 2018, the Group recorded a year-on-year growth of approximately 18.0% in sales revenue of sportswear and apparel fabric materials.

Revenue from sales of elastic webbing amounted to approximately HK$946.9 million for the year ended 31 December 2018, representing an increase of approximately HK$5.4 million, or approximately 0.6%, as compared to the year ended 31 December 2017. The volume sold during the year ended 31 December 2018 was relatively stable as compared to the year ended 31 December 2017.

Revenue from sales of lace increased from approximately HK$85.6 million for the year ended 31 December 2017 to approximately HK$116.9 million for the year ended 31 December 2018. The Group is dedicated to cross selling its different primary products. The year-on-year increase of approximately 36.6% was mainly due to the increase in sales volume of lace in the year ended 31 December 2018, as compared to the year ended 31 December 2017.

## Cost of sales

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

*Cost of sales – by nature of expense*

| | For the year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | **2018** | | 2017 | | Change | |
| | ***(HK$'000)*** | ***%*** | *(HK$'000)* | *%* | *(HK$'000)* | *%* |
| Raw materials | **1,284,803** | **53.1** | 1,036,568 | 51.3 | 248,235 | 23.9 |
| Manufacturing overheads | **875,416** | **36.1** | 733,542 | 36.3 | 141,874 | 19.3 |
| Direct labour | **246,333** | **10.2** | 241,563 | 11.9 | 4,770 | 2.0 |
| Others | **14,112** | **0.6** | 10,466 | 0.5 | 3,646 | 34.8 |
| **Total** | **2,420,664** | **100.0** | 2,022,139 | 100.0 | 398,525 | 19.7 |

The Group's cost of sales for the year ended 31 December 2018 amounted to approximately HK$2.42 billion, representing an increase of approximately HK$398.5 million, or approximately 19.7%, as compared to the year ended 31 December 2017. The increase in our cost of sales was primarily due to (i) the increase in overall sales volume; (ii) the overall increment in raw material prices; (iii) the increase in overall manufacturing overheads driven by the Group's continued business expansion as well as higher production costs to cope with the more stringent environmental rules and regulations; and (iv) the increase in costs due to appreciated RMB against HK$ for the first half of 2018.

*Cost of sales – by product category*

| | For the year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | **2018** | | 2017 | | Change | |
| | ***(HK$'000)*** | ***%*** | *(HK$'000)* | *%* | *(HK$'000)* | *%* |
| Elastic fabric | **1,705,448** | **70.5** | 1,314,743 | 65.0 | 390,705 | 29.7 |
| Elastic webbing | **651,805** | **26.9** | 660,174 | 32.6 | (8,369) | (1.3) |
| Lace | **63,411** | **2.6** | 47,222 | 2.4 | 16,189 | 34.3 |
| **Total** | **2,420,664** | **100.0** | 2,022,139 | 100.0 | 398,525 | 19.7 |

For the year ended 31 December 2018, the cost of sales of elastic fabric as a percentage of the total cost of sales increased by approximately 5.5 percentage points year-on-year while the cost of sales of elastic webbing as a percentage of the total cost of sales decreased by approximately 5.7 percentage points. It was mainly due to the overall increase in sales volume of elastic fabric during the year ended 31 December 2018.

**Gross profit, gross profit margin and net profit margin**

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | **2018** | | 2017 | |
| | **Gross profit** *(HK$'000)* | **Gross profit margin** *(%)* | Gross profit *(HK$'000)* | Gross profit margin *(%)* |
| Elastic fabric | **443,366** | **20.6** | 452,950 | 25.6 |
| Elastic webbing | **295,141** | **31.2** | 281,388 | 29.9 |
| Lace | **53,454** | **45.7** | 38,334 | 44.8 |
| **Total** | **791,961** | **24.7** | 772,672 | 27.6 |

The overall gross profit increased from approximately HK$772.7 million for the year ended 31 December 2017 to approximately HK$792.0 million for the year ended 31 December 2018. The Group's overall gross profit margin for the year ended 31 December 2017 decreased by approximately 2.9 percentage points to approximately 24.7%, as compared to approximately 27.6% for the year ended 31 December 2017. The decline in gross profit margin was mainly due to (i) a lower-than-expected revenue from sales of elastic fabric; (ii) the higher raw material costs and manufacturing overheads; and (iii) the increase in costs due to appreciated RMB against HK$ for the first half of 2018.

Net profit for the year ended 31 December 2018 amounted to approximately HK$280.2 million, representing a decrease of approximately 7.7% as compared to approximately HK$303.6 million for the year ended 31 December 2017. The Group recorded a lower net profit margin of approximately 8.7% for the year ended 31 December 2018, representing a decline of approximately 2.2 percentage points, as compared to the year ended 31 December 2017. The decrease in net profit margin for the year ended 31 December 2018 was mainly due to (i) a lower gross profit margin attained; (ii) the start-up costs of the operations in Sri Lanka; (iii) the ramp-up costs of the operation in Vietnam; (iv) the increase in finance costs; and (v) the increase in costs or losses due to appreciated RMB against HK$ for the first half of 2018.

**Other income**

The Group's other income mainly consists of government grants, bank interest income, net proceeds from sales of scrap materials, dividend income and others. The following table sets forth the breakdown of the Group's other income for the years indicated:

| | For the year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| Government grants | **16,508** | 24,105 |
| Bank interest income | **9,179** | 4,040 |
| Net proceeds from sales of scrap materials | **7,134** | 10,309 |
| Dividend income | **–** | 1,316 |
| Others | **8,014** | 10,887 |
| **Total** | **40,835** | 50,657 |

The decrease in other income by approximately 19.4%, from approximately HK$50.7 million for the year ended 31 December 2017 to approximately HK$40.8 million for the year ended 31 December 2018, was mainly the result of the aggregate net effect of the decreases in government grants received, net proceeds from sales of scrap materials, dividend income received and the increase in bank interest income.

**Other gains and losses**

Other gains and losses mainly consist of net foreign exchange gain (loss), net remeasurement of credit loss allowance for trade receivables and change in fair value of derivative financial instrument.

For the year ended 31 December 2018, the net foreign exchange gain was approximately HK$11.4 million (for the year ended 31 December 2017: net foreign exchange loss of approximately HK$14.2 million), the net remeasurement of credit loss allowance for trade receivables was approximately HK$8.1 million (for the year ended 31 December 2017: nil) and the change in fair value of derivative financial instrument was approximately HK$1.2 million (for the year ended 31 December 2017: approximately HK$0.5 million).

**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 years ended 31 December 2017 and 2018, the Group's selling and distribution expenses represented approximately 5.3% and 4.8% of its total revenue, respectively. The overall decrease in percentage of selling and distribution expenses against revenue was mainly due to the execution of cost controls, efficiency enhancement and the benefits from the economies of scale attained during the year under review.

**Administrative expenses**

Administrative expenses primarily consist of employee benefit expenses, depreciation and amortisation, motor vehicle expenses, bank charges and other administrative expenses. For the years ended 31 December 2017 and 2018, the Group's administrative expenses represented approximately 6.6% and 6.2% of its total revenue, respectively. The overall decrease in percentage of administrative expenses against revenue was mainly due to the execution of cost controls as well as the benefits from the economies of scale attained during the year under review.

For the year ended 31 December 2018, the equity-settled share-based compensation included in employee benefit expenses was nil (for the year ended 31 December 2017: approximately HK$1.7 million).

**Research and development costs**

The Group is dedicated to catering to the changing market preferences by introducing innovative lingerie, sportswear and apparel materials. For the years ended 31 December 2017 and 2018, the Group's research and development costs represented approximately 3.0% and 2.8% of its total revenue, respectively.

## Finance costs

The Group's finance costs mainly represent interest expenses for bank borrowings. The finance costs increased by approximately 88.4% from approximately HK$35.2 million for the year ended 31 December 2017 to approximately HK$66.4 million for the year ended 31 December 2018. The increase in finance costs was primarily due to the increase in overall market interest rate and the increase in average balance of bank borrowings as a result of continuous expansion in the Group's production scale.

## Income tax expenses

On 21 March 2018, the Hong Kong Legislative Council passed the Bill which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime will be applicable to any year of assessment commencing on or after 1 April 2018.

Accordingly, starting from the current year, the Hong Kong Profits Tax for the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the People's Republic of China on EIT Law and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25% for both years ended 31 December 2017 and 2018, unless there is any preferential tax treatment applicable.

Dongguan BPT, a subsidiary of the Company, has obtained the qualification as a high and new technology enterprise since 2010, which has been renewed for an additional three years from the financial year ended 31 December 2016. Hence, Dongguan BPT is subject to the preferential tax treatment and the applicable tax rate for both years ended 31 December 2017 and 2018 has been 15%. During the year ended 31 December 2016, Dongguan NHE, a subsidiary of the Company, has also been qualified as a high and new technology enterprise for three years from the financial year ended 31 December 2016. Dongguan NHE is therefore also subject to the preferential tax treatment and the applicable tax rate for both years ended 31 December 2017 and 2018 has been 15%.

Pursuant to the relevant Vietnam Enterprises Income Tax rules and regulations, the applicable tax rate for the subsidiary operating in Vietnam is 20%. The subsidiary in Vietnam is eligible for tax holiday for two financial years since the first financial year of taxable profit and tax concession at a tax rate of 10% for the following four financial years. With the additional incentive in place during the year ended 31 December 2018 and by fulfilling certain stated requirements, the subsidiary in Vietnam is eligible for tax holiday for four financial years since the first financial year of taxable profit, tax concession at a tax rate of 5% for the following nine financial years and tax concession at a tax rate of 10% for the next following two financial years. No provision for Vietnam Enterprises Income Tax has been made as the subsidiary in Vietnam has incurred tax loss for the year ended 31 December 2017 whereas the assessable profit for the year ended 31 December 2018 has been fully absorbed by brought forward tax losses and the relevant tax holiday had commenced in the year ended 31 December 2018.

Pursuant to the Inland Revenue Act, No.24 of 2017 in Sri Lanka, the applicable tax rate for the subsidiaries operating in Sri Lanka is 28%. By fulfilling certain export requirements set by the Board of Investment of Sri Lanka, the subsidiaries of the Group in Sri Lanka have enjoyed a preferential tax rate of 14% for the year ended 31 December 2018. In addition, one of these subsidiaries is currently eligible for tax holiday till the year ending 31 December 2024.

Taxation arising in any other jurisdiction is calculated at the rate prevailing in the relevant jurisdiction.

The effective tax rate was approximately 15.3% (for the year ended 31 December 2017: 15.6%) for the year ended 31 December 2018.

**Liquidity, financial resources and bank borrowings**

As at 31 December 2018, net working capital (calculated as current assets less current liabilities) was approximately HK$520.1 million, representing a decrease of approximately HK$224.2 million as compared with 31 December 2017. The current ratio (calculated as current assets/current liabilities) is at 1.3 times as at 31 December 2018 as compared to 1.8 times as at 31 December 2017.

For the year ended 31 December 2018, net cash generated from operating activities increased from approximately HK$234.8 million for the year ended 31 December 2017 to approximately HK$563.0 million for the year ended 31 December 2018, which was mainly due to better management of bills payables.

Net cash used in investing activities amounted to approximately HK$654.9 million for the year ended 31 December 2018, as compared to net cash used in investing activities amounting to approximately HK$1,009.9 million for the year ended 31 December 2017. The decrease in net cash used in investing activities was mainly due to less investments being spent on purchase of property, plant and equipment for the year ended 31 December 2018.

During the year ended 31 December 2018, net cash from financing activities amounted to approximately HK$372.6 million, as compared to net cash from financing activities of approximately HK$516.0 million for the year ended 31 December 2017. The decrease in net cash from financing activities for the year ended 31 December 2018 was mainly due to less bank borrowings raised during the year under review.

As at 31 December 2018, the Group's gearing ratio was 73.5% (as at 31 December 2017: 53.9%), which was calculated on the basis of the amount of total bank and other borrowings and bank overdrafts as a percentage of total equity. As at 31 December 2018, the Group's net gearing ratio was 51.0% (as at 31 December 2017: 43.3%), which was calculated on the basis of the amount of net debt position (sum of bank deposits and bank balances and cash, less total bank and other borrowings and bank overdrafts) as a percentage of total equity. The Group was in a net debt position of approximately HK$1,252.2 million as at 31 December 2018, as compared to a net debt position of approximately HK$997.2 million as at 31 December 2017.

**Working capital management**

| | **For the year ended 31 December** | | Change | |
|---|---|---|---|---|
| | **2018** | 2017 | *(days)* | *(%)* |
| Trade and bills receivables turnover days | **78.3** | 79.0 | (0.7) | (0.9) |
| Trade and bills payables turnover days | **80.8** | 81.5 | (0.7) | (0.9) |
| Inventory turnover days | **117.6** | 108.2 | 9.4 | 8.7 |

The trade and bills receivables turnover days remained relatively stable for the year ended 31 December 2017 and the year ended 31 December 2018.

The trade and bills payables turnover days remained relatively stable for the year ended 31 December 2017 and the year ended 31 December 2018.

The increase in inventory turnover days from 108.2 days for the year ended 31 December 2017 to 117.6 days for the year ended 31 December 2018 was primarily attributable to the fact that more raw materials being purchased by the Group to cope with the rising raw material prices as well as the shorter production lead time as demanded by customers, hence more work-in-progress inventories were prepared.

**Capital expenditure**

For the year ended 31 December 2018, total addition to property, plant and equipment amounted to approximately HK$648.5 million (for the year ended 31 December 2017: approximately HK$992.7 million), which was mainly attributed to the investment in machinery of approximately HK$264.4 million (for the year ended 31 December 2017: approximately HK$653.8 million) as well as the construction in progress of approximately HK$346.9 million (for the year ended 31 December 2017: approximately HK$297.2 million) to cope with the Group's overall business expansion. The decrease in investment in machinery was mainly due to the Group's overall control on production capacities.

**Pledge of assets**

As at 31 December 2018, the Group pledged certain bank deposits to secure the bills payables issued by the Group. As at 31 December 2017, in addition to the pledged bank deposits, the Group pledged certain equipment to secure the obligations under finance leases granted to the Group. These obligations under finance leases were fully settled in the year ended 31 December 2018.

The carrying amounts of the assets pledged are as follows:

| | **As at 31 December** | |
|---|---|---|
| | **2018** | 2017 |
| | ***(HK$'000)*** | *(HK$'000)* |
| Pledged bank deposits | **82,220** | 54,623 |
| Equipment | **–** | 34,019 |
| **Total** | **82,220** | 88,642 |

**Contingent liabilities**

As at 31 December 2018, the Group did not have any significant contingent liabilities.

**Events after the reporting period**

The Group has no significant events after the reporting period and up to the date of this announcement.

### Foreign exchange risk

A substantial portion of the Group's revenue is denominated in US$ and HK$ and a portion of its purchases and expenses are denominated in RMB and Vietnam Dong. The Group manages its foreign exchange risk by performing regular reviews and monitoring its foreign exchange exposure. Our finance department monitors our foreign exchange risk on a continuous basis by analysing our domestic and overseas sales orders on hand, expected domestic and overseas orders from customers and estimated foreign currency payments for our purchases and expenses. We intend to manage our foreign exchange risk by (i) managing our sales, purchases and expenses denominated in HK$ and RMB through our subsidiaries in Hong Kong and the PRC, respectively, managing our sales, purchases and expenses denominated in US$ through our subsidiaries in Hong Kong and Vietnam, and managing our purchases and expenses denominated in Vietnam Dong through our subsidiary in Vietnam; and (ii) holding cash and bank deposits denominated in HK$ primarily by the Company and its subsidiaries in Hong Kong, holding cash and bank deposits denominated in US$ primarily by the Company and its subsidiaries in Hong Kong and Vietnam, and holding cash and bank deposits denominated in RMB and Vietnam Dong primarily by our subsidiaries in the PRC and Vietnam, respectively.

### Employees and remuneration policies

As at 31 December 2018, the Group employed a total of 6,967 full-time employees (as at 31 December 2017: 6,409). The increase in the number of employees was mainly due to the acquisition of Trischel in Sri Lanka during the year under review. There was no significant change in the Group's remuneration policy during the year 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, such as subsidised accommodation, meals, accident and medical insurance and share options granted to eligible employees under the share option schemes of the Company.

## FUTURE STRATEGIES AND PROSPECTS

The future of the global economy is still shadowed by uncertainties stemming from the U.S. initiated trade war and the Brexit, with the balance of risks to the short-term global growth forecast now shifting to the downside. It is expected that the negative influence from the prevailing trade dispute as well as the no-deal Brexit may remain for most of the time in 2019. The potential for upside surprises has now receded, given the rise in trade costs and recent waning growth momentum in certain advanced economies.

Despite the uncertain trade environment, we believe that our relatively aggressive expansion plan will reinforce Best Pacific's position as the world's leading textile player. Our competitive advantages such as our established long-term relationship with brand owners and extensive manufacturing network, including China, Vietnam and Sri Lanka, provide a solid foundation for the Group to cope with the existing trade frictions among the superpowers as well as to maintain sustainable growth in future.

Best Pacific, being one of the pioneers to establish production facilities in Vietnam, is optimistic about Vietnam's economic development, in which the country has become the second largest provider of textile and garments for the U.S. market. The ramp up of our Vietnam facilities is according to the management's expectation and we expect contribution from the Group's Vietnam operation to further increase upon completion of the second phase expansion, which is expected to commence official operation by mid-2019. As at 31 December 2018, the overall annual designed production capacities of elastic fabric, elastic webbing and lace of the Group were approximately 167.4 million meters, 1,785.2 million meters and 29.8 million meters, respectively. In the long run, our Vietnam facilities are expected to account for approximately 20% and 10% of the overall fabric and webbing production capacities of the Group, respectively.

In terms of operations in Sri Lanka, while we will continue to improve the manufacturing efficiencies at one of our two JVs, Trischel, we will also continue the construction of the facilities for the other JV which is expected to be completed by mid-2019. Once the facilities of both JVs are fully ramped up, they are expected to contribute for approximately 20% and 10% of the Group's overall fabric and webbing production capacities, respectively. With the upsurge of the sportswear and apparel segments and the potential for further penetration into the lingerie market, the establishment of our JVs in Sri Lanka will help Best Pacific further penetrate the massive lingerie and sportswear and apparel markets. The partners of the JVs are both the world's largest and most recognised apparel and textile manufacturers. The management believes that the strategic partnerships with the JV partners will allow the Group to leverage on their well-established presence, experience and market share in Sri Lanka and in the apparel industry, which will facilitate the future development of Best Pacific.

In terms of the global financial situation, the complication in the U.S. economy makes the U.S. Federal Reserve to take a more conservative view in setting the federal funds rate as well as taking a more patient approach regarding the balance sheet normalisation program. Despite our continuous expansion and the corresponding reliance on debt financing, the Group will continue to monitor its debt position and expect the overall borrowing costs to maintain at similar level in 2019. Our management will continue to closely monitor the interest rate exposure and will consider hedging strategies should the need arise.

Indubitably, the market demand for comfortable and innovative apparel is always on the rise and the athleisure trend has grown in popularity around the world. We are dedicated to devoting more resources to our research and development so as to improve our product quality and enhance our product varieties to meet customers' demands. Our sales revenue of sportswear and apparel fabric materials segment increased to approximately HK$939.9 million for the year ended 31 December 2018, representing a year-on-year growth of approximately 18.0%. The growing health consciousness is expected to continue and we believe revenue from sportswear and apparel products to remain as one of our growth drivers in the near future.

Despite various difficulties and challenges arising from fluctuations in the currency market, the increasing pressure on operating costs and materials costs, as well as the instable trading environment due to the U.S.-PRC trade war, the Group has been able to manage these adversities by streamlining internal workflows, reducing redundancies and introducing automation to the possible extent throughout the manufacturing process. We are also prepared to deploy resources to our strategic expansion plan for the future development of the Group. Under our vision "Build on Innovation and Technology", the Group will grasp appropriate opportunities arising from the global apparel market, especially in the sportswear and apparel sector, so as to deliver a promising return to its investors in the long run.

## PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2018.

## 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 consolidated financial statements of the Group for the year ended 31 December 2018, including accounting principles and practices adopted by the Group, and discussed the relevant financial reporting matters.

## SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

## DIVIDEND POLICY AND FINAL DIVIDEND

The Board intends to maintain a long term, stable dividend payout ratio of not less than 20% of the Group's distributable profit for the year, providing shareholders with an equitable return.

The Board has resolved to declare a final dividend of HK6.7 cents per ordinary share in respect of the year ended 31 December 2018 (the "**Final Dividend**") (for the year ended 31 December 2017: HK5.9 cents). The Final Dividend is expected to be paid on or about 12 June 2019 to shareholders whose names appear on the register of members of the Company on 30 May 2019, subject to the approval by the shareholders at the forthcoming annual general meeting of the Company on 21 May 2019 (the "**AGM**").

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: nil).

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 May 2019 to 21 May 2019, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the identity of shareholders who are entitled to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged not later than 4:30 p.m. on 15 May 2019 with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Subject to the approval of shareholders at the forthcoming AGM, the proposed Final Dividend will be payable to shareholders whose names appear on the register of members of the Company on 30 May 2019 and the register of members of the Company will be closed from 28 May 2019 to 30 May 2019, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed Final Dividend, all share transfer documents accompanied by the relevant share certificates shall be lodged not later than 4:30 p.m. on 27 May 2019 with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

## 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. The Board is of the view that the Company has met all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange throughout the year ended 31 December 2018.

## APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, bankers and other business associates for their trust and support.

By Order of the Board
**Best Pacific International Holdings Limited**
**Lu Yuguang**
*Chairman and executive Director*

Hong Kong, 20 March 2019

*As at the date of this announcement, the Board comprises Mr. Lu Yuguang, Mr. Zhang Haitao, Mr. Wu Shaolun, Ms. Zheng Tingting, Mr. Cheung Yat Ming*, Mr. Ding Baoshan* and Mr. Sai Chun Yu*.*

* *Independent non-executive Director*