



百德國際有限公司  
**Pak Tak International Limited**

Stock Code: 2668

# Interim Report 2013



# PAK TAK INTERNATIONAL LIMITED

Interim Report 2013

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## **REVIEW OF OPERATIONS**

The board of directors (the “Directors”) of Pak Tak International Limited (the “Company”) has the pleasure of presenting the interim report and the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the six months ended 30 September 2013.

### **Turnover**

The business of the Group underwent a major development in the beginning of this financial period. In early April, the Group launched its first retail consignment store in Beijing, selling children wear products under the brand name of “as know as ponpoko”. This brand, under license from a well developed Japanese clothing brand, represents the Group’s new business direction in selling domestically in Mainland China. By the end of September 2013, the Group already had three retail consignment stores in Mainland China, two located in Beijing and one in Shanghai.

While the Group’s retail sales did not contribute significantly to its turnover, the Group’s turnover in the six months ended 30 September 2013 was HK\$265 million, increasing by 11% over the turnover of HK\$238 million in the same period of the previous year. The increase in turnover was attributable mainly to the growth of average selling prices. In the six-months period under review, more high-end products were produced, leading to an increase in 10% of average unit price of the Group’s products. This performance reflects the Group continuing effort to improve its product mix by focusing on high-end products with higher selling prices.

In the period under review, the Group’s major customers remain to be in the U.S., accounting for approximately 80% of the Group’s total turnover. The remaining 20% of sales was from Europe, Asia and others.

Notwithstanding the strength of the Group’s sales, its gross margin suffered in the period due to the labor shortage problem that the Group, and many manufacturers in southern China, had faced. During the period, the Group’s labor cost went up significantly while at the same time it was required to send its production orders to sub-contractors in order to meet production deadlines. The effect is that gross profit margin of the Group decreased to 13% from 18% for the corresponding period last year and its gross profit dropped to HK\$34.3 million from HK\$42.8 million of the previous period.

### **Profitability**

The Group’s net profit for the six months ended 30 September 2013 was HK\$11.8 million. This represented a decrease of 36% as compared to the same period of the previous year. The decrease was mainly attributable to a decreasing in gross profit as discussed above, and an increase in selling expenses.

The Group's administrative expenses increased by HK\$0.7 million mainly due to the increase in salaries and wages for administrative staff. The Group's selling expenses went up by 73% as compared to the same period of the previous year because of an increase in commission expenses.

The Group's income tax expenses decreased significantly by 64% over the previous corresponding period mainly due to the decrease in profitability.

### **Liquidity and Capital Resources**

The cash and cash equivalents of the Group were approximately HK\$55 million as at 30 September 2013, representing a significant increase of approximately HK\$49 million as compared with the balance as at 31 March 2013. The increase was attributed by the placement of shares that the Group carried out in August 2013, and the increase in bank borrowings.

The Group principally satisfies its demand for operating capital with cash inflow from operations and credit facilities of over HK\$152 million (31 March 2013: HK\$114 million), out of which HK\$65 million (31 March 2013: HK\$17 million) has been utilized as at 30 September 2013. The credit facilities were partially secured by corporate guarantees given by the Company. The Directors believe that the Group will maintain a sound and stable financial position, with sufficient liquid capital and financial resources to satisfy its business needs.

### **Foreign Exchange Risks and Interest Rate Risk Management**

The Group adopts strict and cautious policies in managing its exchange rate risk and interest rate risk. The principal foreign currency risk stems from the exchange rate movements of Renminbi, Thai Baht, and the Hong Kong dollars, which are pegged to the US dollars. The sales of the Group are mainly denominated in US dollars. In recent years, the Group's purchases of raw materials are settled principally in Hong Kong dollars, Renminbi and US dollars. The Group's operations in China, the location of its production, are primarily conducted in Renminbi, and its Hong Kong operations are conducted in Hong Kong dollars. During the six months ended 30 September 2013, the Group did not use any financial instruments to reduce the risk of change in exchange rates.

The Directors are of the opinion that the Group is not subject to any significant interest rate risk even though the bank borrowings of the Group, denominated in Hong Kong dollars, are on the floating rate basis. As the Group operates at the debt to equity ratio of 30%, the interest rate exposure is not significant.

### **Interim Dividend**

The Directors have resolved not to recommend the payment of any interim dividend for the six months ended 30 September 2013 (30 September 2012: HK\$Nil).

### **Pledge of Assets**

As at 30 September 2013, certain of the Group's leasehold properties in Hong Kong and Mainland China with a total carrying amount of HK\$4.5 million (31 March 2013: HK\$4.5 million) and HK\$59 million (31 March 2013: HK\$Nil), respectively, were pledged to secure the credit facilities utilised by the Group.

### **Financial Guarantees Issued**

As at 30 September 2013, the Company had issued corporate guarantees to bank and other financial institutions in connection with facilities granted to certain of its subsidiaries amounting to approximately HK\$176 million (31 March 2013: HK\$117 million).

The guarantees were issued by the Company at nil consideration. The transactions were not at arm's length, and it is not possible to measure reliably the fair value of these transactions in accordance with HKAS 39 "Financial Instrument: Recognition and Measurement", had they been at arm's length. Accordingly, the guarantees have not been accounted for as financial liabilities and measured at fair value.

As at 30 September 2013, the Directors considered it was not probable that a claim would be made against the Company under any of the guarantees. The maximum liability of the Company at the balance sheet date under the guarantees issued was the facilities drawn down by the subsidiaries of HK\$65 million (31 March 2013: HK\$17 million).

### **Capital Expenditures and Commitments**

During the period under review, the Group had capital expenditures of approximately HK\$9 million (30 September 2012: HK\$10 million).

As at 30 September 2013, the Group had capital commitments in property, plant and equipment amounting to HK\$Nil (31 March 2013: HK\$6.4 million).

## **Employees and Remuneration Policies**

As at 30 September 2013, the Group had a total of approximately 2,216 employees (30 September 2012: approximately 1,709 employees). The total staff cost of the Group amounted to approximately HK\$65 million during the period, representing 25% of the Group's turnover. Employees' remuneration and bonuses are based on their performances, experience and the prevailing industry practice. The Group's remuneration policies and packages are reviewed periodically by the management of the Company. The Group provides relevant training to its employees in accordance with the skills requirements of different positions.

## **Future Prospects**

As a part of its strategic development, the Group strongly believes that it needs to take advantage of the growing wealth of the Chinese population and develop a domestic sales business. After launching the retail business in Mainland China, the Group found steady and pleasant reception for its children wear products. Leveraging on its manufacturing expertise in making quality knitted garments, the Group has developed a line of children wear products, under the "as know as ponpoko" brand, and manufactured clothes in its Dongguan factory. The Group feels that this retail strategy represents its future growth foundation.

## **DIRECTORS**

The following persons were Directors of the Company as at the date of this report:

### **Executive Directors**

Mr. Cheng Kwai Chun, John (*Chief executive officer*)  
Mr. Lin Chick Kwan  
Mr. Lin Wing Chau  
Mr. Law Fei Shing (*appointed on 6 August 2013*)

### **Non-executive Director**

Mr. Victor Robert Lew  
(*Chairman of the Board and Chairman of the Corporate Governance Committee*)

### **Independent Non-executive Directors**

Mr. Chow Chan Lum (*Chairman of Audit Committee and Remuneration Committee*)  
Ms. Ko Hay Yin, Karen  
Ms. Ho Man Yee, Esther (*Chairman of Nomination Committee*)  
Mr. Yuen Chi King, Wyman

## **DIRECTORS' INTERESTS IN SECURITIES**

At 30 September 2013, the interests and short positions of each Director and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which would have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

<b>Name of Director</b>	<b>Number of shares interested (Long Position)</b>	<b>Capacity</b>	<b>Approximate percentage of the issued share capital of the Company</b>
Mr. Cheng Kwai Chun, John	60,420,000	Beneficial Owner	21.35%
	40,314,280 <i>(Note 1)</i>	Controlled Corporation	14.25%
Mr. Law Fei Shing	50,897,978 <i>(Note 2)</i>	Controlled Corporation	17.99%

*Notes:*

1. These shares are held by Best Ahead Limited ("Best Ahead"), a company incorporated in the British Virgin Islands. Mr. Cheng Kwai Chun, John is the sole director of Best Ahead and Best Ahead acts in accordance with his directions or instructions. As such, Mr. Cheng Kwai Chun, John is taken or deemed to be interested in the shares of the Company held by Best Ahead.
2. Out of these shares, 9,083,698 shares are held by Wealth Achiever Investments Limited ("Wealth Achiever"), 1,500,000 shares are held by Well Precise Holdings Limited ("Well Precise") and 40,314,280 shares are held by Best Ahead Limited ("Best Ahead"). Wealth Achiever and Well Precise are wholly and beneficially owned by Mr. Law Fei Shing. Best Ahead is incorporated in the British Virgin Islands and Mr. Law Fei Shing holds 50% of its issued share capital and as such, Mr. Law Fei Shing is taken or deemed to be interested in the shares of the Company held by Best Ahead.

## SUBSTANTIAL SHAREHOLDERS

At 30 September 2013, so far as was known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Number of shares interested (Long Position)	Capacity	Approximate percentage of the issued share capital of the Company
Golden Mount Limited	60,420,000	Beneficial	21.35% (Note 1)
Best Ahead Limited	40,314,280	Beneficial	14.25% (Note 2)
Mr. Ng Leung Ho	40,000,000	Beneficial	14.13%

*Notes:*

1. According to the public information, Golden Mount Limited is incorporated in the British Virgin Islands and is 100% controlled by Mr. Chim Pui Chung.
2. Best Ahead Limited is incorporated in the British Virgin Islands, the entire issued share capital of which was beneficially equally owned by Mr. Cheng Kwai Chun and Mr. Law Fei Shing. The sole director of Best Ahead Limited is Mr. Cheng Kwai Chun, John. Save as disclosed above, no Director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Other than as disclosed above, so far as was known to any Director or chief executive of the Company, no other person had any other interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO as at 30 September 2013.



As at 30 September 2013, so far as known to any Director or chief executive of the Company, the following persons (other than members of the Group) were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital:

<b>Name of Owner</b>	<b>Name of Subsidiary</b>	<b>Percentage of Equity Interests</b>
Ms. Amy Pik Sin	Pak Tak Knitting & Garment Factory (Thailand) Company Limited	10%
Mr. Nakorn Phisitchoowong	Pak Tak Knitting & Garment Factory (Thailand) Company Limited	10%
Ms. Janphen Phisitchoowong	Pak Tak Knitting & Garment Factory (Thailand) Company Limited	10%

Other than as disclosed above, the Directors and chief executives of the Company were not aware of any persons (other than members of the Group) who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital as at 30 September 2013.

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2013 save for the placement of shares by the Company in August 2013.

## **CORPORATE GOVERNANCE REPORT**

The Directors are pleased to report that throughout the six months period ended 30 September 2013, the Company was in compliance with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules. In particular, the Company has ensured that:

- the appointment to and the composition and operation of the Board of Directors and committees of the Board;
- the remuneration of Directors and senior management;
- accountability and audit;
- delegation by the Board;
- communication with shareholders; and
- requirements for company secretary

are in compliance with the Code.

The Board will continuously review the corporate governance structure of the Company and effect changes whenever necessary.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct rules (the "Model Code") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company confirms that all the Directors had complied with the Model Code for the six months ended 30 September 2013.

## **COMMITTEES**

The Directors have caused four committees to be formed pursuant to the Code: the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee. The Audit Committee, comprising the four independent non-executive Directors, namely Mr. Chow Chan Lum, Ms. Ko Hay Yin, Karen, Ms. Ho Man Yee, Esther and Mr. Yuen Chi King, Wyman, has reviewed with the management and the auditors of the accounting principles and practices adopted by the Group and discussed and reviewed the unaudited interim financial information for the six months ended 30 September 2013.

The interim results for the six months ended 30 September 2013 have been reviewed by the Company's auditors.

On behalf of the Board  
**Pak Tak International Limited**  
**LAW FEI SHING**  
*EXECUTIVE DIRECTOR*

Hong Kong, 29 November 2013



## **INDEPENDENT REVIEW REPORT**

TO THE BOARD OF DIRECTORS OF PAK TAK INTERNATIONAL LIMITED

*(Incorporated in the Bermuda with limited liability)*

### **Introduction**

We have reviewed the interim financial information set out on pages 11 to 22 which comprises the condensed consolidated balance sheet of Pak Tak International Limited as at 30 September 2013, the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of the interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial information in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on this interim financial information and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Scope of Review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, Interim Financial Reporting.

### **Baker Tilly Hong Kong Limited**

*Certified Public Accountants*

Hong Kong, 29 November 2013

### **Chan Kwan Ho, Edmond**

Practising certificate number P02092

## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

		Six months ended 30 September	
	Note	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
<b>Turnover</b>	4	<b>264,949</b>	238,214
Cost of sales		<u>(230,662)</u>	<u>(195,412)</u>
<b>Gross profit</b>		<b>34,287</b>	42,802
Other revenue	6	1,494	1,558
Other net gain	6	993	98
Administrative expenses		(15,758)	(15,054)
Selling expenses		<u>(6,323)</u>	<u>(3,657)</u>
<b>Profit from operations</b>	7	<b>14,693</b>	25,747
Finance costs	8	<u>(509)</u>	<u>(508)</u>
<b>Profit before taxation</b>		<b>14,184</b>	25,239
Income tax expense	9	<u>(2,399)</u>	<u>(6,686)</u>
<b>Profit for the period</b>		<u><b>11,785</b></u>	<u>18,553</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		12,049	18,824
Non-controlling interests		<u>(264)</u>	<u>(271)</u>
		<u><b>11,785</b></u>	<u>18,553</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings per share</b>	10		
– Basic and diluted		<u><b>5</b></u>	<u>8</u>

The notes on pages 17 to 22 form part of this interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

	Six months ended 30 September	
	2013 <i>HK\$'000</i> (unaudited)	2012 <i>HK\$'000</i> (unaudited)
<b>Profit for the period</b>	<b>11,785</b>	18,553
<b>Other comprehensive income for the period:</b>		
Item that may be reclassified subsequently to profit or loss		
– Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	<u>(1,201)</u>	<u>(1,335)</u>
<b>Total comprehensive income for the period</b>	<b><u>10,584</u></b>	<b><u>17,218</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>9,914</b>	17,399
Non-controlling interests	<b><u>670</u></b>	<b><u>(181)</u></b>
	<b><u>10,584</u></b>	<b><u>17,218</u></b>

The notes on pages 17 to 22 form part of this interim financial information.

## CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2013

	<i>Note</i>	At 30 September 2013 <i>HK\$'000</i> (unaudited)	At 31 March 2013 <i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment	12	142,489	144,001
Interests in leasehold land held for own use under operating leases		4,475	4,495
Investment properties		8,358	8,723
Interest in an associate		–	–
Deferred tax assets		929	914
		<hr/>	<hr/>
		156,251	158,133
<b>Current assets</b>			
Inventories		64,294	38,093
Trade receivables	13	96,417	24,320
Other receivables, prepayments and deposits		7,603	18,245
Cash and cash equivalents		55,015	6,171
		<hr/>	<hr/>
		223,329	86,829
<b>Current liabilities</b>			
Trade payables	14	39,856	13,316
Bills payable		1,980	–
Other payables and accrued charges		20,852	15,448
Amounts due to holders of non-controlling interests in a subsidiary		3,582	3,857
Bank borrowings		65,005	16,717
Obligations under finance leases		–	19
Tax payable		142	333
		<hr/>	<hr/>
		131,417	49,690
<b>Net current assets</b>			
		<hr/>	<hr/>
		91,912	37,139

	<i>Note</i>	<b>At 30 September 2013 HK\$'000 (unaudited)</b>	At 31 March 2013 HK\$'000 (audited)
<b>Total assets less current liabilities</b>		<b>248,163</b>	195,272
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>7,074</b>	5,773
Provision and other accrued charges		<b>15,455</b>	15,455
		<b>22,529</b>	21,228
<b>NET ASSETS</b>		<b>225,634</b>	174,044
<b>Capital and reserves</b>			
Share capital	<i>16</i>	<b>28,300</b>	23,640
Reserves		<b>199,354</b>	153,094
Total equity attributable to equity shareholders of the Company		<b>227,654</b>	176,734
Non-controlling interests		<b>(2,020)</b>	(2,690)
<b>TOTAL EQUITY</b>		<b>225,634</b>	174,044

Approved and authorised for issue by the board of directors on 29 November 2013

**LAW FEI SHING**  
*Director*

**CHENG KWAI CHUN, JOHN**  
*Director*

The notes on pages 17 to 22 form part of this interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

	Attributable to equity shareholders of the Company						Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
<b>Balance at 1 April 2012 (audited)</b>	23,640	5,987	32,680	7,128	104,082	173,517	(1,543)	171,974
<b>Changes in equity for the six months ended 30 September 2012:</b>								
Profit for the period	-	-	-	-	18,824	18,824	(271)	18,553
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	(1,425)	-	(1,425)	90	(1,335)
Total comprehensive income for the period	-	-	-	(1,425)	18,824	17,399	(181)	17,218
<b>Balance at 30 September 2012 (unaudited)</b>	<u>23,640</u>	<u>5,987</u>	<u>32,680</u>	<u>5,703</u>	<u>122,906</u>	<u>190,916</u>	<u>(1,724)</u>	<u>189,192</u>
<b>Balance at 1 April 2013 (audited)</b>	23,640	5,987	32,680	7,206	107,221	176,734	(2,690)	174,044
<b>Changes in equity for the six months ended 30 September 2013:</b>								
Profit for the period	-	-	-	-	12,049	12,049	(264)	11,785
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	(2,135)	-	(2,135)	934	(1,201)
Total comprehensive income for the period	-	-	-	(2,135)	12,049	9,914	670	10,584
Shares issued pursuant to a share placing	4,660	36,346	-	-	-	41,006	-	41,006
<b>Balance at 30 September 2013 (unaudited)</b>	<u>28,300</u>	<u>42,333</u>	<u>32,680</u>	<u>5,071</u>	<u>119,270</u>	<u>227,654</u>	<u>(2,020)</u>	<u>225,634</u>

The notes on pages 17 to 22 form part of this interim financial information.



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

	Six months ended 30 September	
	2013 <i>HK\$'000</i> (unaudited)	2012 <i>HK\$'000</i> (unaudited)
<b>Net cash used in operating activities</b>	<b>(30,697)</b>	<b>(25,236)</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	<b>(9,229)</b>	(10,176)
Other investing cash flows	<b>6</b>	14
<b>Net cash used in investing activities</b>	<b>(9,223)</b>	<b>(10,162)</b>
<b>Financing activities</b>		
Bank borrowings raised, net	<b>48,239</b>	34,395
Proceeds from issue of new shares from placement	<b>41,006</b>	–
Other financing cash flows	<b>(528)</b>	(537)
<b>Net cash generated from financing activities</b>	<b>88,717</b>	<b>33,858</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>48,797</b>	<b>(1,540)</b>
<b>Cash and cash equivalents at 1 April</b>	<b>6,171</b>	<b>(927)</b>
<b>Effect of foreign exchange rate changes</b>	<b>(2)</b>	<b>(1)</b>
<b>Cash and cash equivalents at 30 September</b>	<b>54,966</b>	<b>(2,468)</b>
<b>Cash and cash equivalents at 30 September, represented by:</b>		
Cash and cash equivalents in the condensed consolidated balance sheet	<b>55,015</b>	1,842
Bank overdrafts included in bank borrowings	<b>(49)</b>	(4,310)
	<b>54,966</b>	<b>(2,468)</b>

The notes on pages 17 to 22 form part of this interim financial information.

## **NOTES TO THE INTERIM FINANCIAL INFORMATION**

### **1. GENERAL**

Pak Tak International Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal office in Hong Kong is located at Units 404 – 411, 4th Floor, Fanling Industrial Centre, 21 On Kui Street, On Lok Tsuen, Fanling, New Territories, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture of and trading in knit-to-shape garments.

### **2. BASIS OF PRESENTATION**

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard 34 (“HKAS 34”), Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

### **3. CHANGES IN ACCOUNTING POLICIES**

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

- Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income
- HKFRS 10, Consolidated financial statements
- HKFRS 12, Disclosure of interests in other entities
- HKFRS 13, Fair value measurement
- HKAS 27 (2011), Separate financial statements
- HKAS 28 (2011), Investments in associates and joint ventures
- Annual Improvements to HKFRSs 2009-2011 Cycle
- Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

**3. CHANGES IN ACCOUNTING POLICIES (Continued)**

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in this interim financial information has been modified accordingly.

The adoption of other revisions, amendments and new HKFRSs has had no effect on the Group's financial statements.

The Group has not applied any new standards or amendment that is not yet effective for the current accounting period.

**4. SEGMENT REPORTING**

The executive directors manage the Group's operations as a single business segment.

The Group's turnover for the six months ended 30 September 2013 by geographical market is as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
United States of America ("USA")	<b>212,257</b>	191,993
Europe	<b>23,568</b>	25,020
Asia	<b>19,850</b>	13,481
Australia	<b>39</b>	287
Others	<b>9,235</b>	7,433
	<b>264,949</b>	238,214

**5. SEASONALITY OF OPERATIONS**

The Group normally experiences higher demands in the first half of the year and, as a result, reports higher revenue and results in the first half of the year.

**6. OTHER REVENUE AND NET GAIN**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Other revenue</b>		
Discount received	73	74
Interest income from an associate	21	113
Other interest income	20	6
Reimbursement income	670	429
Rental income from investment properties	108	90
Sales of scrap and unused raw materials	-	193
Sundry	602	653
	<hr/>	<hr/>
	<b>1,494</b>	<b>1,558</b>
	<hr/>	<hr/>
<b>Other net gain</b>		
Exchange gain/(loss), net	817	(42)
Gain on disposal of property, plant and equipment	4	12
Reversal of impairment loss on amount due from an associate	172	128
	<hr/>	<hr/>
	<b>993</b>	<b>98</b>
	<hr/>	<hr/>

**7. PROFIT FROM OPERATIONS**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit from operations has been arrived at after charging:		
Amortisation of interests in leasehold land held for own use under operating leases	59	58
Depreciation on property, plant and equipment	10,287	11,495
Depreciation on investment properties	63	-
Provision for inventories	-	640
	<hr/>	<hr/>

**8. FINANCE COSTS**

The finance costs represent interest on bank borrowings wholly repayable within five years and charges on finance leases.

**9. INCOME TAX**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the period	1,098	3,440
<b>Deferred tax</b>		
Origination and reversal of temporary differences	1,301	3,246
	<u>2,399</u>	<u>6,686</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2012: 16.5%) of the estimated assessable profits for the period.

The subsidiaries in Mainland China are subject to a tax rate of 25% (six months ended 30 September 2012: 25%). No provision for income tax has been made by these subsidiaries for the period as they do not have assessable profits.

**10. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$12,049,000 for the period (six months ended 30 September 2012: HK\$18,824,000) and the weighted average number of 247,096,623 (six months ended 30 September 2012: 236,402,000) ordinary shares in issue.

**11. DIVIDEND**

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: HK\$Nil).

**12. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 September 2013, the Group acquired property, plant and equipment at a cost of HK\$9,229,000 (six months ended 30 September 2012: HK\$10,176,000).

**13. TRADE RECEIVABLES**

The following is an aging analysis of trade receivables (net of allowance for doubtful debts) based on invoice date:

	<b>At 30 September</b>	<b>At 31 March</b>
	<b>2013</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Within 1 month	57,913	18,177
1 to 3 months	38,263	5,936
3 to 12 months	241	207
	<u>96,417</u>	<u>24,320</u>

**13. TRADE RECEIVABLES (Continued)**

Individual credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables are due within 30 to 60 days from the date of billing. Debtors with balances over 90 days are monitored tightly and regularly. Normally, the Group does not obtain collateral from customers. Default risk of the industry and country are influenced on a lesser extent because most of the Group's customers mainly come from the USA with high credit-ratings.

**14. TRADE PAYABLES**

The following is an aging analysis of trade payables based on invoice date:

	<b>At 30 September 2013 HK\$'000 (unaudited)</b>	<b>At 31 March 2013 HK\$'000 (audited)</b>
Within 1 month	17,351	9,701
1 to 3 months	20,668	2,977
3 to 12 months	1,837	638
	<b>39,856</b>	<b>13,316</b>

**15. PLEDGE OF ASSETS**

At 30 September 2013, certain of the Group's leasehold properties in Hong Kong and Mainland China with a total carrying amount of HK\$4,466,000 (31 March 2013: HK\$4,535,000) and HK\$59,036,000 (31 March 2013: HK\$Nil), respectively, were pledged to secure the credit facilities utilised by the Group.

**16. SHARE CAPITAL**

On 19 August 2013, the Company issued a total of 46,598,000 new ordinary shares of HK\$0.1 each under a placing agreement at a price of HK\$0.88 per share to increase the general working capital of the Group. Further details of this share placing are set out in the Company's announcement dated 8 August 2013.

**17. COMMITMENTS**

Capital commitments outstanding at 30 September 2013 not provided for in the interim financial information were as follows:

	<b>At 30 September 2013 HK\$'000 (unaudited)</b>	<b>At 31 March 2013 HK\$'000 (audited)</b>
Contracted for – Acquisition of property, plant and equipment	–	6,410

**18. MATERIAL RELATED PARTY TRANSACTIONS**

**(a) Key management personnel remuneration**

Remuneration for key management personnel of the Group is as follows:

	<b>Six months ended 30 September</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Salaries, allowances and other benefits	2,334	2,062
Contributions to defined contributions retirement plan	39	36
	<u>2,373</u>	<u>2,098</u>

**(b) Financing arrangements**

At 30 September 2013, bank loans of HK\$34,075,000 (31 March 2013: HK\$4,428,000) were secured by legal charge on a leasehold property of a company controlled by a director.

**(c) Other related party transactions**

During the period, the Group entered into the following material related party transactions:

Name of related party	Nature of transactions	<b>Six months ended 30 September</b>	
		<b>2013</b>	2012
		<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
Pak Tak (Kwong Tai)	Sample sales income	-	31
Knitting Factory Limited	Rental and other income	267	145
	Commission paid	12	2
	Overdue interest income	21	113
	Reversal of impairment loss on amount due	172	128
		<u>172</u>	<u>128</u>

**19. EVENTS AFTER THE REPORTING PERIOD**

As stated in the Company's announcement dated 12 November 2013, on 25 October 2013, Mr. Cheng Kwai Chun, John ("Mr. Cheng"), a substantial shareholder and a director of the Company, and certain other shareholders of the Company (collectively, the "Vendors") entered into a conditional sale and purchase agreement (the "Share Purchase Agreement") with Golden Million Limited, the beneficial owner of which is also a substantial shareholder of the Company, pursuant to which the Vendors agreed to sell their shareholdings in the Company, representing approximately 37.53% of the issued share capital of the Company, to Golden Million Limited.

Further, on 25 October 2013, the Company entered into a conditional disposal agreement (the "Disposal Agreement") with Mr. Cheng to sell the Company's equity interests in a wholly-owned subsidiary, which in turn holds a number of subsidiaries and an associate (collectively, the "Disposed Group"), and to assign the amounts due to the Company by the Disposed Group to Mr. Cheng, constituting a very substantial disposal, connected transaction and special deal for the Company.

As at the date of approval of this interim financial information, both the Share Purchase Agreement and the Disposal Agreement are not yet completed.