



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

Stock Code: 2668

INTERIM  
REPORT  
**2014**



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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 2014.

### **Turnover**

The Group’s consolidated turnover for the six months ended 30 September 2014 was HK\$230 million. This represented a decrease of 13% over the sales turnover of HK\$265 million in the same period of last year. The lower sales turnover reflected a general decrease in selling prices. The sales volume made by the Group also dropped. Thus the Group is keeping on the policy of giving up sales orders that are of lower value and concentrating on high value ones.

For the current period under review, the Group’s sales to the U.S.A., which accounted for approximately 79% of the Group’s total turnover, whereas 21% of the Group’s total turnover was attributed to the sales to Europe, Asia and others.

### **Profitability**

The Group’s gross profit margin for the six months ended 30 September 2014 was 11.3% whereas the margin for previous comparable period in 2013 was 12.9%. The reasons for the drop are mainly due to decrease in both selling prices and sales volume. Moreover, persistent labor shortage in the Southern China and rise in cost of raw materials caused an increment in the cost of production.

The Group’s net profit for the six months ended 30 September 2014 was HK\$12.8 million, this represented an increase of HK\$1 million as compared to the same period of the previous year. During the period, the Group recorded gain on disposal of subsidiaries of HK\$9.4 million which can be offset with the decrease in gross profit. Apart from the decrease in gross profit, the Group’s selling expenses went up by HK\$1.9 million which resulted a slightly decrease in profit before taxation. Finance costs were reduced by 21% to HK\$0.4 million from HK\$0.5 million due to the Group’s sufficient cash flow.

### **Disposal of subsidiaries**

The Group had disposed of all the issued shares in Addlink Limited on 19 September 2014, this transaction has led to dispose of leasehold and freehold land and buildings and investment properties in Hong Kong, Mainland China and Thailand. It also led to dispose of the loss making subsidiaries and investments, such as the business of retailing of children’s wear and the investment in Thailand in return with more cash inflow. Further details of the Disposal are set in the note 5.

### **Liquidity and Capital Resources**

The cash and cash equivalents of the Group were approximately HK\$99 million as at 30 September 2014, representing an increase of approximately HK\$51 million as compared with the balance as at 31 March 2014. The increase was attributed by received partial cash consideration in relation to the disposal of subsidiaries in September 2014.

## **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 exchange risk stems from the exchange rate movements of the Hong Kong dollars, which are pegged to the United States dollars, and Renminbi. The sales of the Group are mainly denominated in United States dollars. In recent years, the Group's purchases of raw materials are settled principally in Hong Kong dollars, Renminbi and United States 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 2014, 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 interest-bearing borrowings of the Group, denominated in Hong Kong dollars, are on the floating rate basis. The Group's gearing ratio as at 30 September 2014, which is calculated on the basis of total debt over total shareholder fund, Nil% (31 March 2014: 9%) because the Group has sufficient cash flow to settle all the bank loans as at 30 September 2014. The interest rate risk 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 2014 (30 September 2013: HK\$Nil).

## **Pledge of Assets**

As at 30 September 2014, no assets of the Group were pledged to secure the credit facilities utilised by the Group. As at 31 March 2014, certain of the Group's leasehold properties in Hong Kong with a total carrying amount of HK\$4 million were pledged to secure the credit facilities utilised by the Group.

## **Financial Guarantees Issued**

As at 30 September 2014, the Company had issued corporate guarantees amounting to HK\$35 million (31 March 2014: HK\$44 million) to banks in connection with facilities granted to a subsidiary (31 March 2014: certain subsidiaries).

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 instruments: 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 2014, 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\$Nil (31 March 2014: HK\$17 million).

## **Capital expenditures and commitments**

During the period under review, the Group had capital expenditures of approximately HK\$0.6 million (30 September 2013: HK\$9 million).

As at 30 September 2014, the Group had capital commitments of approximately HK\$0.16 million (31 March 2014: HK\$0.04 million) in property, plant and equipment.

## **Employees and Remuneration Policies**

As at 30 September 2014, the Group had a total of approximately 1,800 employees (30 September 2013: approximately 2,200 employees). The total staff cost of the Group amounted to approximately HK\$64 million during the period, representing 28% of the Group's turnover. Employees' remuneration and bonuses are based on their responsibilities, performances, experience and the prevailing industry practice. The Group's remuneration policies and packages were 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**

With the continued rise in labour costs in China, the garment and textile industry is expected to face an increasing pressure. To maintain our competitive edge, the Group will continue to improve risk management and actively to look for sound development opportunities.

In the meanwhile, the management is negotiating with an independent third party and entered into a non-legally binding letter of intent in October 2014 for the possible acquisition of the target group which engaged in the business of the manufacture and sale of clean energy and related products. The Group will continue to dedicate its effort to improve the operation, and will actively look for further potential investment opportunities with an aim to maximise value to the shareholders.

## **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. Cheung Chi Mang (*Chairman of the Board, appointed on 5 September 2014*)

Mr. Law Fei Shing

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

Mr. Lum Pak Sum (*Chairman of Audit Committee and Remuneration Committee*)

Mr. Liu Kam Lung (*Chairman of Nomination Committee, appointed on 24 September 2014*)

Mr. Wu Shiming (*Appointed on 24 September 2014*)

## DIRECTORS' INTERESTS IN SECURITIES

At 30 September 2014, 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:

Name of Directors	Number of shares interested (Long Position)	Capacity	Approximate percentage of the issued share capital of the Company (Note 3)
Mr. Cheung Chi Mang	380,000,000 (Note 1)	Controlled Corporation	26.86%
Mr. Cheng Kwai Chun, John	82,100,000	Beneficial Owner	5.80%
Mr. Law Fei Shing	52,918,490 (Note 2)	Controlled Corporation	3.74%

### Notes:

1. These shares are held by Hong Kong Investments Group Limited ("HK Investments"), a company incorporated in the British Virgin Islands. Mr. Cheung Chi Mang is the sole director and shareholder of HK Investments and HK Investments acts in accordance with his directions or instructions. As such, Mr. Cheung Chi Mang is taken or deemed to be interested in the shares of the Company held by HK Investments.
2. Out of these shares, 45,418,490 shares are held by Wealth Achiever Investments Limited ("Wealth Achiever") and 7,500,000 shares are held by Well Precise Holdings Limited ("Well Precise"). Wealth Achiever and Well Precise are incorporated in the British Virgin Islands and wholly and beneficially owned by Mr. Law Fei Shing. As such, Mr. Law Fei Shing is taken or deemed to be interested in the shares of the Company held by Wealth Achiever and Well Precise.
3. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 30 September 2014 which was 1,415,000,000.



## SUBSTANTIAL SHAREHOLDERS

At 30 September 2014, 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 shareholders	Number of shares interested (Long Position)	Capacity	Approximate percentage of the issued share capital of the Company (Note 2)
Hong Kong Investments Group Limited	380,000,000	Beneficial Owner	26.86% (Note 1)

Notes:

1. HK Investments is incorporated in the British Virgin Islands, the entire issued share capital of which was wholly owned by Cheung Chi Mang. The sole director of HK Investments is Mr. Cheung Chi Mang. The interests of HK Investments are also disclosed as the interest of Mr. Cheung Chi Mang, the beneficial owner of HK Investments, in the above section headed "Directors' Interests in Securities".
2. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 30 September 2014 which was 1,415,000,000.

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 2014.

## 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 2014.

## CHANGE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

The Change in the information of Directors since the publication of the 2014 Annual Report is set out below pursuant to Rule 13.51B(1) of the Listing Rules:

- Mr. Law Fei Shing, an Executive Director, has been appointed as an executive director of Legend Strategy International Holdings Group Company Limited (stock code: 1355) with effect from 19 November 2014.

## CORPORATE GOVERNANCE REPORT

The Directors are pleased to report that throughout the six months period ended 30 September 2014, 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 2014.

## 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 three independent non-executive Directors, namely Mr. Lum Pak Sum, Mr. Liu Kam Lung and Mr. Wu Shiming, 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 2014.

The interim results for the six months ended 30 September 2014 have been reviewed by the Company's auditors.

On behalf of the Board

**Pak Tak International Limited**

**CHEUNG CHI MANG**

*CHAIRMAN*

Hong Kong, 26 November 2014





**BAKER TILLY**  
HONG KONG | 天職香港

## **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 9 to 22 which comprises the condensed consolidated balance sheet of Pak Tak International Limited as at 30 September 2014, and 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 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, 26 November 2014

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

Practising certificate number P02092

## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

		Six months ended 30 September	
	Note	2014 HKD'000 (unaudited)	2013 HKD'000 (unaudited)
<b>Turnover</b>	4	<b>229,547</b>	264,949
Cost of sales		<u>(203,658)</u>	<u>(230,662)</u>
<b>Gross profit</b>		<b>25,889</b>	34,287
Gain on disposal of subsidiaries	6	<b>9,438</b>	–
Other revenue	7	<b>1,888</b>	1,494
Other net gain	7	<b>1,260</b>	993
Administrative expenses		<b>(16,524)</b>	(15,758)
Selling expenses		<b>(8,209)</b>	(6,323)
<b>Profit from operations</b>	8	<b>13,742</b>	14,693
Finance costs	9	<b>(402)</b>	(509)
<b>Profit before taxation</b>		<b>13,340</b>	14,184
Income tax expense	10	<b>(498)</b>	(2,399)
<b>Profit for the period</b>		<b>12,842</b>	11,785
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>13,091</b>	12,049
Non-controlling interests		<b>(249)</b>	(264)
		<u><b>12,842</b></u>	<u>11,785</u>
		<i>HK cent</i>	<i>HK cent</i> (Restated)
<b>Earnings per share</b>	11		
– Basic and diluted		<u><b>1</b></u>	<u>1</u>

The notes on pages 15 to 22 form part of this interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Note</i>	<b>2014</b>	2013
		<b>HKD'000</b>	<b>HKD'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Profit for the period</b>		<b>12,842</b>	11,785
<b>Other comprehensive income for the period:</b>			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax		<b>(814)</b>	(1,201)
– Reclassification adjustment for the cumulative exchange gain on translation of financial statements of overseas subsidiaries transferred to profit or loss upon disposal of subsidiaries, net of nil tax	6	<b>(3,082)</b>	–
<b>Total comprehensive income for the period</b>		<b>8,946</b>	10,584
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>9,298</b>	9,914
Non-controlling interests		<b>(352)</b>	670
		<b>8,946</b>	10,584

The notes on pages 15 to 22 form part of this interim financial information.

## CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2014

	Note	At 30 September 2014 HKD'000 (unaudited)	At 31 March 2014 HKD'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	13	32,534	132,877
Interests in leasehold land held for own use under operating leases		–	4,375
Investment properties		–	8,167
Deferred tax assets		4,362	3,225
		<u>36,896</u>	<u>148,644</u>
<b>Current assets</b>			
Inventories		45,953	45,399
Trade receivables	14	70,913	16,482
Other receivables, prepayments and deposits	15	17,130	6,586
Tax recoverable		–	956
Cash and cash equivalents		98,871	47,782
		<u>232,867</u>	<u>117,205</u>
<b>Current liabilities</b>			
Trade payables	16	26,314	14,315
Other payables and accrued charges		29,401	25,460
Amounts due to holders of non-controlling interests in a subsidiary		–	3,466
Bank loans		–	16,879
Tax payable		2,452	–
		<u>58,167</u>	<u>60,120</u>
<b>Net current assets</b>		<u>174,700</u>	<u>57,085</u>
<b>Total assets less current liabilities</b>		<u>211,596</u>	<u>205,729</u>

## CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

AT 30 SEPTEMBER 2014

	At 30 September 2014 <i>HKD'000</i> (unaudited)	At 31 March 2014 <i>HKD'000</i> (audited)
	<i>Note</i>	
<b>Non-current liabilities</b>		
Deferred tax liabilities	1,764	6,636
Provision and other accrued charges	15,108	15,549
	<u>16,872</u>	<u>22,185</u>
<b>NET ASSETS</b>	<u>194,724</u>	<u>183,544</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	17 28,300	28,300
Reserves	166,424	157,126
Total equity attributable to equity shareholders of the Company	194,724	185,426
Non-controlling interests	–	(1,882)
<b>TOTAL EQUITY</b>	<u>194,724</u>	<u>183,544</u>

Approved and authorised for issue by the board of directors on 26 November 2014.

**Cheung Chi Mang**  
*Director*

**Law Fei Shing**  
*Director*

The notes on pages 15 to 22 form part of this interim financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

	Attributable to equity shareholders of the Company						Non- controlling interests HKD'000	Total equity HKD'000
	Share capital HKD'000	Share premium HKD'000	Special reserve HKD'000	Exchange reserve HKD'000	Retained profits HKD'000	Total HKD'000		
<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>
<b>Balance at 1 April 2014 (audited)</b>	28,300	41,308	32,680	3,712	79,426	185,426	(1,882)	183,544
<b>Changes in equity for the six months ended 30 September 2014:</b>								
Profit for the period	-	-	-	-	13,091	13,091	(249)	12,842
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	(711)	-	(711)	(103)	(814)
Reclassification adjustment for the cumulative exchange gain on translation of financial statements of overseas subsidiaries transferred to profit or loss upon disposal of subsidiaries	-	-	-	(3,082)	-	(3,082)	-	(3,082)
Total comprehensive income for the period	-	-	-	(3,793)	13,091	9,298	(352)	8,946
Disposal of subsidiaries	-	-	(32,680)	-	32,680	-	2,234	2,234
<b>Balance at 30 September 2014 (unaudited)</b>	<u>28,300</u>	<u>41,308</u>	<u>-</u>	<u>(81)</u>	<u>125,197</u>	<u>194,724</u>	<u>-</u>	<u>194,724</u>

The notes on pages 15 to 22 form part of this interim financial information.



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

		Six months ended 30 September	
	<i>Note</i>	2014 <i>HKD'000</i> (unaudited)	2013 <i>HKD'000</i> (unaudited)
<b>Net cash used in operating activities</b>		<b>(33,018)</b>	(30,697)
<b>Investing activities</b>			
Disposal of subsidiaries	6	101,803	–
Purchase of property, plant and equipment		(574)	(9,229)
Other investing cash flows		177	6
<b>Net cash generated from/(used in) investing activities</b>		<b>101,406</b>	(9,223)
<b>Financing activities</b>			
Bank loans (repaid)/raised, net		(16,879)	48,239
Proceeds from issue of new shares from placement		–	41,006
Other financing cash flows		(402)	(528)
<b>Net cash (used in)/generated from financing activities</b>		<b>(17,281)</b>	88,717
<b>Net increase in cash and cash equivalents</b>		<b>51,107</b>	48,797
<b>Cash and cash equivalents at 1 April</b>		<b>47,782</b>	6,171
<b>Effect of foreign exchange rate changes</b>		<b>(18)</b>	(2)
<b>Cash and cash equivalents at 30 September</b>		<b>98,871</b>	54,966
<b>Cash and cash equivalents at 30 September, represented by:</b>			
Cash and cash equivalents in the condensed consolidated balance sheet		98,871	55,015
Bank overdrafts included in bank borrowings		–	(49)
		<b>98,871</b>	54,966

The notes on pages 15 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 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 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 32, Offsetting financial assets and financial liabilities
- Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The adoption of these amendments has had no effect on the Group’s financial statements.

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

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

### 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 2014 by geographical market is as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2014</b>	2013
	<b>HKD'000</b>	HKD'000
	<b>(unaudited)</b>	(unaudited)
United States of America ("USA")	<b>181,973</b>	212,257
Europe	<b>20,741</b>	23,568
Asia	<b>19,693</b>	19,850
Others	<b>7,140</b>	9,274
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	<b>229,547</b>	264,949
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### 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. DISPOSAL OF SUBSIDIARIES

On 18 June 2014, the Company entered into an agreement with Mr. Cheng Kwai Chun, John ("Mr. Cheng"), a director and the then substantial shareholder of the Company, for the disposal of the Company's wholly-owned subsidiary, Addlink Limited, to Mr. Cheng (the "Disposal"). In preparation for the completion of the Disposal, a reorganisation had been undertaken such that, upon the completion of the Disposal, the Company together with its subsidiaries, continues to engage in the manufacturing and trading of knit-to-shape garments, while the leasehold and freehold land and buildings and investment properties in Hong Kong, Mainland China and Thailand and the business of retailing of children's wear will continue to be retained by Addlink Limited and its subsidiaries. Further details of the Disposal and the reorganisation are set out in the Company's circular dated 29 July 2014.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

### 6. DISPOSAL OF SUBSIDIARIES (Continued)

The Disposal was completed on 19 September 2014. An analysis of the net assets of Addlink Limited and its subsidiaries (the "Disposed Group") disposed of is as follows:

	<i>HKD'000</i> (unaudited)
<b>Analysis of assets and liabilities disposed of:</b>	
Property, plant and equipment	92,675
Interests in leasehold land held for own use under operating leases	4,347
Investment properties	8,139
Interest in an associate	–
Inventories	511
Trade receivables	42
Other receivables, prepayments and deposits	3,235
Tax recoverable	1,181
Cash and cash equivalents	4,322
Other payables and accrued charges	(2,364)
Amounts due to holders of non-controlling interests in a subsidiary	(3,487)
Deferred tax liabilities	(4,023)
Provision and other accrued charges	(944)
Non-controlling interests	2,234
	<hr/>
Net assets disposed of	105,868
	<hr/>
<b>Gain on disposal of subsidiaries:</b>	
Consideration received and receivable	113,734
Direct expenses in relation to the Disposal	(1,510)
	<hr/>
	112,224
	<hr/>
Net assets disposed of	(105,868)
Cumulative exchange gain in respect of the net assets of the Disposed Group reclassified from equity to profit or loss upon completion of the Disposal	3,082
	<hr/>
Gain on disposal	9,438
	<hr/>
<b>Net cash inflow arising on disposal of subsidiaries:</b>	
Cash consideration received, net of direct expenses in relation to the Disposal	106,125
Cash and cash equivalents disposed of	(4,322)
	<hr/>
	101,803
	<hr/>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

### 7. OTHER REVENUE AND NET GAIN

	Six months ended 30 September 2014 HKD'000 (unaudited)	2013 HKD'000 (unaudited)
<b>Other revenue</b>		
Discount received	81	73
Interest income from an associate	28	21
Other interest income	195	20
Reimbursement income	631	670
Rental income from investment properties	108	108
Sales of scrap and unused raw materials	21	–
Sundry	824	602
	<b>1,888</b>	1,494
<b>Other net gain</b>		
Exchange (loss)/gain, net	(1,981)	817
Gain on disposal of property, plant and equipment	174	4
Reversal of impairment loss on amount due from an associate	3,067	172
	<b>1,260</b>	993

### 8. PROFIT FROM OPERATIONS

	Six months ended 30 September 2014 HKD'000 (unaudited)	2013 HKD'000 (unaudited)
Profit from operations has been arrived at after charging:		
Amortisation of interests in leasehold land held for own use under operating leases	55	59
Depreciation on property, plant and equipment	8,957	10,287
Depreciation on investment properties	60	63
	<b>9,072</b>	10,410

### 9. FINANCE COSTS

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

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

### 10. INCOME TAX

	Six months ended 30 September 2014 HKD'000 (unaudited)	2013 HKD'000 (unaudited)
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the period	2,452	1,098
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(1,954)	1,301
Income tax expense	498	2,399

The provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2013: 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 2013: 25%). No provision for income tax has been made by these subsidiaries for the period as they do not have assessable profits.

### 11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HKD13,091,000 for the period (six months ended 30 September 2013: HKD12,049,000) and the weighted average number of 1,415,000,000 (six months ended 30 September 2013 (restated): 1,235,483,115) ordinary shares in issue during the period, adjusted retrospectively for the share sub-division of share capital (one into five) with effect on 7 April 2014 (see note 17).

The diluted earnings per share for the six months ended 30 September 2014 and 2013 was same as the basic earnings per share as there were no potential dilutive ordinary shares in existence for both periods.

### 12. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: HKDNil).

### 13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2014, the Group acquired property, plant and equipment at a cost of HKD574,000 (six months ended 30 September 2013: HKD9,229,000).



## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

### 14. 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 2014 HKD'000 (unaudited)</b>	At 31 March 2014 HKD'000 (audited)
Within 1 month	61,556	8,804
1 to 3 months	9,222	6,772
3 to 12 months	123	906
Over 12 months	12	–
	<hr/> <b>70,913</b> <hr/>	<hr/> 16,482 <hr/>

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.

### 15. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

Included in the balance at 30 September 2014 are an amount of HKD6,099,000 due from a director, Mr. Cheng and an amount of HKD6,925,000 due from a former subsidiary, Pak Tak Knitting & Garment Factory Limited ("Pak Tak Knitting").

The amount due from Mr. Cheng, representing the balance of the consideration receivable on the Disposal (see note 6), is unsecured, interest-free and is to be repaid in December 2014.

The amount due from Pak Tak Knitting, representing the proceeds received from trade debtors for behalf of the Group less the manufacturing costs and other expenses paid for behalf of the Group, is unsecured, interest-free and has been fully settled in October 2014.

### 16. TRADE PAYABLES

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

	<b>At 30 September 2014 HKD'000 (unaudited)</b>	At 31 March 2014 HKD'000 (audited)
Within 1 month	14,738	7,654
1 to 3 months	9,931	5,951
3 to 12 months	1,645	679
Over 12 months	–	31
	<hr/> <b>26,314</b> <hr/>	<hr/> 14,315 <hr/>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

### 17. SHARE CAPITAL

On 7 April 2014, the Company sub-divided each of the existing and unissued shares of HKD0.1 each in the share capital of the Company into five shares of HKD0.02 each.

### 18. PLEDGE OF ASSETS

At 30 September 2014, no assets of the Group were pledged to secure the credit facilities utilised by the Group.

At 31 March 2014, certain of the Group's leasehold properties in Hong Kong with a total carrying amount of HKD4,397,000 were pledged to secure the credit facilities utilised by the Group.

### 19. COMMITMENTS

Capital commitments outstanding at 30 September 2014 not provided for in the interim financial information were as follows:

	<b>At 30 September 2014 HKD'000 (unaudited)</b>	At 31 March 2014 HKD'000 (audited)
Contracted for		
– Acquisition of property, plant and equipment	<u>164</u>	<u>44</u>

### 20. 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 2014 HKD'000 (unaudited)</b>	2013 HKD'000 (unaudited)
Salaries, allowances and other benefits	<b>2,185</b>	2,334
Contributions to defined contributions retirement plan	<u>44</u>	<u>39</u>
	<u><b>2,229</b></u>	<u>2,373</u>

#### (b) Financing arrangements

Prior to the completion of the Disposal, receivable due from an associate, Pak Tak (Kwong Tai) Knitting Factory Limited ("Pak Tak (Kwong Tai)") of HKD2,386,000 was assigned to Mr. Cheng at HKD2,386,000.

At 30 September 2014, general banking facilities to the extent of HKD55,000,000 (31 March 2014: HKD35,500,000) were secured by legal charges on certain assets of a director. At 30 September and 31 March 2014, none of these facilities were utilised.

At 31 March 2014, bank loans of HKD10,492,000 were secured by legal charges on leasehold properties of companies controlled by a director.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

### 20. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

#### (c) Other related party transactions

In addition to those mentioned in note 6, notes 20(a) and 20(b), the Group entered into the following material related party transactions during the period:

Name of related party	Nature of transactions	Six months ended 30 September	
		2014 HKD'000 (unaudited)	2013 HKD'000 (unaudited)
Pak Tak (Kwong Tai)	Sales of goods	550	–
	Rental and other income	507	267
	Commission paid	32	12
	Overdue interest income	28	21
	Reversal of impairment loss on amount due	3,067	172
Pak Tak Knitting	License fee paid	28	–
	Rental expenses paid	117	–

### 21. EVENTS AFTER THE REPORTING PERIOD

On 13 October 2014, the Group entered into the non-legal binding letter of intent with an independent third party in respect of a possible acquisition of a company which is principally engaged in the business of the manufacture and sale of clean energy and related products. A refundable deposit of HKD10,000,000 was paid pursuant to the terms of the letter of intent. Further details of this possible acquisition are set out in the Company's announcement dated 13 October 2014.

At the date of approval of this interim financial information, the possible acquisition is still in progress.