



百德國際有限公司
Pak Tak International Limited

Stock Code: 2668

INTERIM REPORT 2015



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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 2015.

Turnover

The Group’s consolidated turnover for the six months ended 30 September 2015 was HKD212 million. This represented a decrease of 8% over the sales turnover of HKD230 million in the same period of last year. The lower sales turnover is mainly drop of orders placed from the poor U.S.A. market sentiment due to the bizarre warm weather in last year and this year. The sales volume made by the Group also dropped.

For the current period under review, the Group’s sales to the U.S.A., which accounted for approximately 76% (six months ended 30 September 2014: 79%) of the Group’s total turnover, whereas 24% (six months ended 30 September 2014: 21%) of the Group’s total turnover were attributed to the sales to Europe, Asia and others.

Profitability

The Group’s gross profit margin for the six months ended 30 September 2015 was 11.9% whereas the margin for previous comparable period in 2014 was 11.3%. The increase is caused by decrease in direct labour. Although the gross profit margin is increased, the gross profit amount had been worsened by 2.6% due to decrease in sales turnover.

The Group’s net profit for the six months ended 30 September 2015 was HKD3.3 million, this represented a decrease of HKD9.5 million as compared to the same period of the previous year. The main reason is due to an one-off gain on disposal of subsidiaries of HKD9.4 million during last period. Meanwhile, there is no disposal as compared to the same period of this year. Apart from the decrease in gross profit, there is an other net loss of HKD0.7 million in current period, whereas the same period of last year had an other net gain of HKD1.3 million. The decrease of HKD2 million is due to an one-off reversal of impairment loss on amount due from an associate incurred in last period. This decrease were offset by the Group’s selling expenses dropped by HKD2.1 million due to lower sales commissions and marketing expenses.

Liquidity and Capital Resources

The cash and cash equivalents of the Group excluded bank overdraft were approximately HKD153 million as at 30 September 2015, representing a decrease of approximately HKD1 million as compared with the balance as at 31 March 2015. The Group had total bank loans and overdraft of approximately HKD43 million (31 March 2015: HKD 26 million) are repayable within five years.

During the six months ended 30 September 2015, the Company completed the placing agreement with a placing agent under specific mandate and issued 283,000,000 unlisted warrants at an issue price of HKD0.02 per warrant. The placing unlisted warrants entitled the holders to subscribe for up to 283,000,000 new shares at an exercise price of HKD3 per share. The subscription right is exercisable during a period of three years from the date of issue of the unlisted warrants. Upon the issuance of 283,000,000 unlisted warrants, the net proceeds after deducting the transaction costs and after deducting the related costs were approximately HKD5.5 million and HKD5.1 million respectively, which had been applied to the Group’s general working capital. No unlisted warrant was exercised to subscribe for shares of the Company and there are 283,000,000 unlisted warrants outstanding at the end of the reporting period. If the full exercise of the subscription rights of the unlisted warrants at the initial subscription price of HKD3, it is expected up to an additional of HKD849 million will be raised and expected to be used as the Group’s general working capital, future business development and potential acquisition of the Group.

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 2015, 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 of 24% (31 March 2015: 15%), which is calculated on the basis of total debt over total shareholder fund. Since the Group has sufficient cash flow to settle all the bank loans as at 30 September 2015, 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 2015 (30 September 2014: HKDNil).

Pledge of Assets

As at 30 September 2015 and 31 March 2015, no assets of the Group were pledged to secure the credit facilities utilised by the Group.

Financial Guarantees Issued

As at 30 September 2015, the Company had issued corporate guarantees amounting to HKD75 million (31 March 2015: HKD60 million) to banks in connection with facilities granted to a subsidiary.

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 2015, 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 end of the reporting period under the guarantees issued was the facilities drawn down by the subsidiary of HKD24 million (31 March 2015: HKD6 million).

Capital expenditures and commitments

During the period under review, the Group had capital expenditures of approximately HKD1.5 million (six months ended 30 September 2014: HKD0.6 million).

As at 30 September 2015, the Group had no capital commitments (31 March 2015: HKD0.6 million) in property, plant and equipment.

Employees and Remuneration Policies

As at 30 September 2015, the Group had a total of approximately 1,500 employees (six months ended 30 September 2014: approximately 1,800 employees). The total staff cost of the Group amounted to approximately HKD56 million during the period, representing 26% 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

In the second half of 2015, it is expected that the garment and textile industry will continue to face the challenges from the high labor costs and manufacturing costs especially in southern China. The management is considering the further automation of production process to improve efficiency, together with the continuing cost cutting measures in all aspects of its operation to enhance the profitability and competitiveness of the Group.

In the meanwhile, the Board is continuously looking at the other business opportunities which could provide a stable income to the Group. With the sufficient cash balance, the Group is poised to explore further potential investment opportunities with higher return.

DIRECTORS

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

Executive Directors

Mr. Cheung Chi Mang (*Chairman of the Board*)

Mr. Ko Kin Chung (*Chief Executive Officer*)

Non-executive Director

Mr. Law Fei Shing

Independent Non-executive Directors

Mr. Liu Kam Lung (*Chairman of Nomination Committee*)

Mr. Wu Shiming

Mr. Chan Sun Kwong (*Chairman of Audit Committee and Remuneration Committee*)

DIRECTORS' INTERESTS IN SECURITIES

At 30 September 2015, 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. Law Fei Shing	52,918,490 (Note 2)	Controlled Corporation	3.74%
Mr. Ko Kin Chung	12,000,000	Beneficial Owner	0.85%

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 2015 which was 1,415,000,000.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2015, 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 3)
Hong Kong Investments Group Limited	380,000,000	Beneficial Owner	26.86% (Note 1)
Cheng Tun Nei	131,540,000	Beneficial Owner	9.30%
Golden Mount Limited	110,158,490	Beneficial Owner	7.78% (Note 2)

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. According to the public information, Golden Mount Limited is incorporated in the British Virgin Islands and is 100% controlled by Mr. Chim Pui Chung.
3. The percentages are calculated based on the total number of ordinary shares of the Company in issue as at 30 September 2015 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 2015.

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 2015.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2015, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 14 of the Listing Rules, except for the deviations on Code Provisions A.6.7 of the CG Code.

Under the Code Provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings of the Company. Mr. Wu Shiming, an independent non-executive director could not attend the annual general meeting and special general meeting of the Company held on 8 August 2015 due to his business commitments.

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 2015.

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. Chan Sun Kwong, 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 2015.

The interim results for the six months ended 30 September 2015 have been reviewed by the Company’s auditors.

On behalf of the Board

Pak Tak International Limited

CHEUNG CHI MANG

CHAIRMAN

Hong Kong, 27 November 2015



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 statement of financial position of Pak Tak International Limited as of 30 September 2015 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and other explanatory notes (the “interim financial information”). 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 of the Company 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 as at 30 September 2015 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, 27 November 2015

Choi Kwong Yu

Practising certificate number P05071

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

		Six months ended 30 September 2015 HKD'000 (unaudited)	2014 HKD'000 (unaudited)
	Note		
Turnover	4	212,240	229,547
Cost of sales		(187,028)	(203,658)
Gross profit		25,212	25,889
Gain on disposal of subsidiaries	6	–	9,438
Other revenue	7	1,832	1,888
Other net (loss)/gain	7	(690)	1,260
Administrative expenses		(16,544)	(16,524)
Selling expenses		(6,124)	(8,209)
Profit from operations	8	3,686	13,742
Finance costs	9	(306)	(402)
Profit before taxation		3,380	13,340
Income tax expense	10	(76)	(498)
Profit for the period		3,304	12,842
Attributable to:			
Equity shareholders of the Company		3,304	13,091
Non-controlling interests		–	(249)
		3,304	12,842
		HK cents	HK cents
Earnings per share	11		
– Basic and diluted		0.23	0.93

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 2015

		Six months ended 30 September 2015 HKD'000 (unaudited)	2014 HKD'000 (unaudited)
Note			
	Profit for the period	3,304	12,842
	Other comprehensive income for the period:		
	Items that may be reclassified subsequently to profit or loss:		
	– Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	(497)	(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, net of nil tax	6	(3,082)
	Total comprehensive income for the period	2,807	8,946
	Attributable to:		
	Equity shareholders of the Company	2,807	9,298
	Non-controlling interests	–	(352)
		2,807	8,946

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2015

		At 30 September 2015 HKD'000 (unaudited)	At 31 March 2015 HKD'000 (audited)
	Note		
Non-current assets			
Property, plant and equipment	13	24,200	28,525
Deferred tax assets		4,988	4,258
		29,188	32,783
Current assets			
Inventories		39,248	33,483
Trade receivables	14	95,150	30,679
Other receivables, prepayments and deposits	15	7,543	3,386
Cash and cash equivalents		152,632	153,901
		294,573	221,449
Current liabilities			
Trade payables	16	46,399	8,366
Other payables and accrued charges		32,129	27,318
Bank loans and overdraft		43,437	25,944
		121,965	61,628
Net current assets		172,608	159,821
Total assets less current liabilities		201,796	192,604

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AT 30 SEPTEMBER 2015

	At 30 September 2015 <i>HKD'000</i> (unaudited)	At 31 March 2015 <i>HKD'000</i> (audited)
<i>Note</i>		
Non-current liabilities		
Deferred tax liabilities	2,610	1,715
Provision and other accrued charges	<u>15,108</u>	<u>15,108</u>
	<u>17,718</u>	<u>16,823</u>
NET ASSETS	<u>184,078</u>	<u>175,781</u>
CAPITAL AND RESERVES	17	
Share capital	28,300	28,300
Reserves	<u>155,778</u>	<u>147,481</u>
TOTAL EQUITY	<u>184,078</u>	<u>175,781</u>

Approved and authorised for issue by the board of directors on 27 November 2015.

Cheung Chi Mang
Director

Ko Kin Chung
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 2015

	Attributable to equity shareholders of the Company								
	Share capital HKD '000	Share premium HKD '000	Warrant reserve HKD '000	Special reserve HKD '000	Exchange reserve HKD '000	Retained profits HKD '000	Total HKD '000	Non-controlling interests HKD '000	Total equity HKD '000
Balance at 1 April 2014 (audited)	28,300	41,308	–	32,680	3,712	79,426	185,426	(1,882)	183,544
Changes in equity for the six months ended 30 September 2014:									
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
Balance at 30 September 2014 (unaudited)	28,300	41,308	–	–	(81)	125,197	194,724	–	194,724
Balance at 1 April 2015 (audited)	28,300	41,308	–	–	348	105,825	175,781	–	175,781
Changes in equity for the six months ended 30 September 2015:									
Profit for the period	–	–	–	–	–	3,304	3,304	–	3,304
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	(497)	–	(497)	–	(497)
Total comprehensive income for the period	–	–	–	–	(497)	3,304	2,807	–	2,807
Issue of warrants (note 17)	–	–	5,490	–	–	–	5,490	–	5,490
Balance at 30 September 2015 (unaudited)	28,300	41,308	5,490	–	(149)	109,129	184,078	–	184,078

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

		Six months ended 30 September 2015 HKD'000 (unaudited)	2014 HKD'000 (unaudited)
	Note		
Net cash used in operating activities		(22,520)	(33,018)
Investing activities			
Net cash inflow arising on disposal of subsidiaries	6	–	101,803
Purchase of property, plant and equipment		(1,539)	(574)
Other investing cash flows		80	177
Net cash (used in)/generated from investing activities		(1,459)	101,406
Financing activities			
Bank loans raised/(repaid), net		17,637	(16,879)
Net proceeds from issue of warrants		5,490	–
Other financing cash flows		(306)	(402)
Net cash generated from/(used in) financing activities		22,821	(17,281)
Net (decrease)/increase in cash and cash equivalents		(1,158)	51,107
Cash and cash equivalents at 1 April		133,970	47,782
Effect of foreign exchange rate changes		33	(18)
Cash and cash equivalents at 30 September		132,845	98,871
Analysis of cash and cash equivalents:			
Cash and cash equivalents in the condensed consolidated statement of financial position		152,632	98,871
Bank overdraft		(19,787)	–
		132,845	98,871

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. On 21 January 2015, the principal office in Hong Kong was changed from Units 404-411, 4th Floor, Fanling Industrial Centre, 21 On Kui Street, On Lok Tsuen, Fanling, New Territories, Hong Kong to Unit 1704, 17th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, 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”). This condensed interim financial information should be read in conjunction with the Company’s annual consolidated financial statements for the year ended 31 March 2015 which has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of these changes in accounting policies are set out below 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 the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company.

- Annual improvements to HKFRSs 2010 – 2012 Cycle
- Annual improvements to HKFRSs 2011 – 2013 Cycle

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. 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 2015 by geographical market is as follows:

	Six months ended 30 September 2015 HKD'000 (unaudited)	2014 HKD'000 (unaudited)
United States of America ("USA")	160,873	181,973
Europe	19,877	20,741
Asia	18,589	19,693
Others	12,901	7,140
	<u>212,240</u>	<u>229,547</u>

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 than in the second half of the same year.

6. DISPOSAL OF SUBSIDIARIES

On 18 June 2014, the Company entered into an agreement with Mr. Cheng Kwai Chun, John ("Mr. Cheng"), the then director and substantial shareholder of the Company, for 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 continue to be retained by Addlink Limited and its subsidiaries. Further details of the Disposal and the reorganisation were 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 was as follows:

HKD'000
(unaudited)

Analysis of assets and liabilities disposed of:

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
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Net assets disposed of	105,868
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Gain on disposal of subsidiaries:

Consideration received and receivable	113,734
Direct expenses in relation to the Disposal	(1,510)
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Net assets disposed of	112,224
Cumulative exchange gain in respect of the net assets of the Disposed Group	(105,868)

reclassified from equity to profit or loss upon completion of the Disposal	3,082
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Gain on disposal	9,438
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Net cash inflow arising on disposal of subsidiaries:

Cash consideration received, net of direct expenses in relation to the Disposal	106,125
Cash and cash equivalents disposed of	(4,322)
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	101,803
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NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

7. OTHER REVENUE AND NET (LOSS)/GAIN

	Six months ended 30 September	
	2015	2014
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Other revenue		
Discount received	340	81
Interest income from an associate	–	28
Other interest income	55	195
Reimbursement income	406	631
Rental income from investment properties	–	108
Sales of scrap and unused raw materials	107	21
Sundry	924	824
	1,832	1,888
Other net (loss)/gain		
Exchange (loss)/gain, net	(770)	(1,981)
Gain on disposal of property, plant and equipment	80	174
Reversal of impairment loss on amount due from an associate	–	3,067
	(690)	1,260

8. PROFIT FROM OPERATIONS

	Six months ended 30 September	
	2015	2014
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Profit from operations has been arrived at after charging:		
Amortisation of interests in leasehold land held for own use under operating leases	–	55
Depreciation on property, plant and equipment	4,863	8,957
Depreciation on investment properties	–	60

9. FINANCE COSTS

The finance costs represent interests on bank loans and overdraft wholly repayable within five years.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

10. INCOME TAX

	Six months ended 30 September 2015 HKD'000 (unaudited)	2014 HKD'000 (unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the period	–	2,452
Deferred tax		
Origination and reversal of temporary differences	76	(1,954)
Income tax expense	76	498

No provision for Hong Kong Profits Tax has been made as the subsidiaries in the Group either do not have assessable profits or have agreed tax losses brought forward in excess of the estimated assessable profits.

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 September 2014.

The subsidiary in Mainland China is subject to a tax rate of 25%. No provision for income tax has been made by the subsidiary for the period (six months ended 30 September 2014: HKDNil) as it has agreed tax losses brought forward in excess of the estimated 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 HKD3,304,000 for the period (six months ended 30 September 2014: HKD13,091,000) and the weighted average number of 1,415,000,000 (six months ended 30 September 2014: 1,415,000,000) ordinary shares in issue during the interim period.

The diluted earnings per share for the six months ended 30 September 2015 and 2014 was same as the basic earnings per share. The computation of diluted earnings per share does not assume the exercise of the Company's warrants because the exercise price of those warrants was higher than the average market price for shares for the six months ended 30 September 2015. For the six months ended 30 September 2014, there is no potential dilutive ordinary shares in existence for the period.

12. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2015 (six months ended 30 September 2014: HKDNil).

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2015, the Group acquired property, plant and equipment at a cost of HKD1,539,000 (six months ended 30 September 2014: HKD574,000).

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:

	At 30 September 2015 HKD'000 (unaudited)	At 31 March 2015 HKD'000 (audited)
Within 1 month	73,050	9,191
1 to 3 months	21,109	20,563
4 to 12 months	988	925
Over 12 months	3	–
	<u>95,150</u>	<u>30,679</u>

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

At 30 September 2015, the other receivables, prepayments and deposits do not include any balance in connection with the directors of the Company or its former subsidiaries.

Included in the balance at 30 September 2014 were 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), was unsecured, interest-free and was eventually settled in December 2014.

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

16. TRADE PAYABLES

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

	At 30 September 2015 HKD'000 (unaudited)	At 31 March 2015 HKD'000 (audited)
Within 1 month	22,655	3,237
1 to 3 months	16,745	4,067
4 to 12 months	6,999	972
Over 12 months	–	90
	<u>46,399</u>	<u>8,366</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

17. CAPITAL AND RESERVES

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.

On 27 August 2015, the Company issued 283,000,000 unlisted warrants at HKD0.02 each to six independent third parties raising HKD5,490,000 in net. The warrants entitled the holders to subscribe for 283,000,000 ordinary shares of the Company at a subscription price of HKD3.00 each at any time during a period of 36 months commencing from the date of issue of the warrants. On 30 September 2015, the Company had 283,000,000 outstanding warrants. Exercise in full of such outstanding warrants would result in the issue of 283,000,000 additional ordinary shares.

18. PLEDGE OF ASSETS

At 30 September 2015 and 31 March 2015, no assets of the Group were pledged to secure the credit facilities utilised by the Group.

19. CAPITAL COMMITMENTS

Capital commitments outstanding at 30 September 2015 not provided for in the interim financial information were as follows:

	At 30 September 2015 HKD'000 (unaudited)	At 31 March 2015 HKD'000 (audited)
Contracted for		
– Acquisition of property, plant and equipment	–	612

20. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

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

	Six months ended 30 September 2015 HKD'000 (unaudited)	2014 HKD'000 (unaudited)
Salaries, allowances and other benefits	2,704	2,185
Contributions to defined contributions retirement plan	72	44
	2,776	2,229

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

20. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Financing arrangements

At 30 September 2015, certain general banking facilities totaling HKD95,000,000 (31 March 2015: HKD80,000,000) were secured by legal charges on leasehold properties of companies controlled by Mr. Cheng, legal charges on certain assets of Mr. Cheng and personal guarantees from Mr. Cheng. At 30 September 2015, these facilities were utilised by the Group to the extent of HKD43,437,000 (31 March 2015: HKD25,944,000).

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.

(c) Other related party transactions

In addition to the disposal of Addlink Limited as mentioned in note 6, the Group entered into the following material related party transactions during the period:

Related parties	Nature of transactions	Six months ended 30 September	
		2015 HKD'000 (unaudited)	2014 HKD'000 (unaudited)
Companies in which Mr. Cheng has interests or significant influences	Sales of goods	1,898	550
	Rental and other income received	301	507
	Commission paid	24	32
	Overdue interest income	–	28
	Reversal of impairment loss on amount due	–	3,067
	License fee paid	451	28
	Rental expenses paid	1,910	117

Trade receivables at 30 September 2015 included amounts due from the above related parties of HKD1,494,000. Other balance with related parties are disclosed in note 15.

21. EVENTS AFTER THE REPORTING PERIOD

Except as disclosed elsewhere in the interim financial information, there was no significant event after the end of the reporting period.