

百德國際有限公司
Pak Tak International Limited

Stock Code: 2668



Interim Report **2017**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Jian
(*Chairman and Chief Executive Officer*)
Ms. Qian Pu

Non-executive Directors

Mr. Law Fei Shing
Mr. Shin Yick Fabian

Independent Non-executive Directors

Mr. Liu Kam Lung
Mr. Xie Xiabiao
Mr. Zheng Sujun

AUDIT COMMITTEE

Mr. Liu Kam Lung (*Chairman*)
Mr. Xie Xiaobiao
Mr. Zheng Sujun

NOMINATION COMMITTEE

Mr. Liu Kam Lung (*Chairman*)
Ms. Qian Pu
Mr. Xie Xiaobiao
Mr. Zheng Sujun

REMUNERATION COMMITTEE

Mr. Liu Kam Lung (*Chairman*)
Ms. Qian Pu
Mr. Xie Xiaobiao
Mr. Zheng Sujun

STRATEGIC COMMITTEE

Mr. Wang Jian (*Chairman*)
Ms. Qian Pu
Mr. Shin Yick Fabian

INVESTMENT AND FUNDING RAISING COMMITTEE

Mr. Wang Jian (*Chairman*)
Ms. Qian Pu
Mr. Shin Yick Fabian

COMPANY SECRETARY

Mr. Sze Kat Man

AUTHORISED REPRESENTATIVES

Ms. Qian Pu
Mr. Sze Kat Man

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office Nos. 2 and 3, 22nd Floor
Tower 2 Lippo Centre
No. 89 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITORS

Baker Tilly Hong Kong Limited
Certified Public Accountants

PRINCIPAL BANKERS

Chong Hing Bank Limited
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE

2668

WEBSITE

www.paktakintl.com

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 September 2017, the principal activities of the Group are: (i) manufacture and trading of garments (the “**Garments Business**”), (ii) money lending business in Hong Kong under the provisions of the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), (iii) the finance leasing business, (iv) the general trading, (v) property investment and (vi) securities investment. Following the completion of the disposal of the new energy business companies, the Group ceased to operate such business on 26 September 2017.

BUSINESS REVIEW

Continuing Operations

Garments Business

For the six months ended 30 September 2017, the garment industry was facing the continuously challenging environment with the weak demand and the slowdown in export market. The operation in garment segment was under great pressure, as well as the rising sub-contracting charge and the raw materials cost. The revenue and the gross profit from the Garments Business was further contracted for the period under review. The Group will continue to monitor its operation to enhance its profitability and competitiveness.

Money Lending Business

During the six months ended 30 September 2017, the Group granted certain loans in aggregate of HKD36 million to certain borrowers and recognised an aggregate interest income of HKD1.5 million. The Group’s loans receivables, which are repayable according to repayment schedules with contractual maturity ranging within a year. All the loans receivables has been collected and received on time. The Group adopted a prudent risk management policy to ensure a healthy development in its money lending business and carrying out regular review of credit risk over the existing borrowers.

Finance Leasing Business

During the six months ended 30 September 2017, the Shenzhen Jinsheng Finance Lease Company Limited, being a direct wholly-owned subsidiary of the Company, and the lessee entered into the credit facility agreement for the provision of revolving finance leasing with the aggregate leasing amount not exceeding RMB200 million for a term of two years. The aggregate finance lease receivables was HKD78.3 million as at 30 September 2017 and the finance leasing business has attributed the revenue of HKD3.0 million for the six months ended 30 September 2017. All the finance lease receivables has been collected and received on time. The Group adopted a prudent approach in the finance leasing business to minimise its credit and business risks. The Board believes that the finance leasing business will produce a steady growth in the Group’s long term performance and will maximise the future contribution to the Group.



General Trading

During the six months ended 30 September 2017, the general trading recorded a revenue of HKD21.4 million. The Board believes that the operation of general trading is able to expand the business network of the Group in different fields, which is benefit for the long-term growth of the Group. The management of the Company will put more effort on negotiation with potential suppliers and customers in order to achieve more favourable trading terms in future trades.

Property Investment

During the six months ended 30 September 2017, the Group had acquired 141 retailing shops which have a total floor area of approximately 18,000 square meters in Yunfu, PRC in June 2017. These properties are for investment purposes and lease out for rental income and if there is an increase in the value in the future, the Group will realise its investment. At 30 September 2017, the investment properties held by the Group measured at fair value amounted to HKD177.9 million, representing with a fair value gains on investment properties of HKD62.9 million for the six months ended 30 September 2017. The Board considers that the property investment would enable the Group to achieve a considerable return from rental and would strengthen the asset and/or income base of the Group.

Securities Investment

To broaden the source of income and offering a better return to its shareholders, the Group included securities investment for both listed and unlisted shares in its main business portfolio. During the six months ended 30 September 2017, the Group recorded a profit in securities investment mainly due to the gain on disposal of the listed securities investment of approximately HKD8.5 million.

Discontinued Operation

Disposal of the New Energy Business

On 19 September 2017, the major transaction in relation to the disposal of the new energy business companies (the “**Disposal Group**”) at the consideration of RMB38 million (the “**Disposal**”) was approved by the shareholders of the Company. The Disposal Group is principally engaged in the research and development of (i) power electric battery; (ii) system of power electric battery; (iii) technologies related to range extended electric vehicles; and (iv) other products related to a battery system. All the conditions precedent under the equity transfer agreement have been fulfilled and the disposal was completed on 26 September 2017 in accordance with the terms and conditions of the equity transfer agreement. Upon completion of the Disposal, the Disposal Group has ceased to be the subsidiaries of the Company. Details of the Disposal were disclosed in the Company’s announcements dated 1 August 2017 and 22 August 2017 and the Company’s circular dated 1 September 2017.

FINANCIAL REVIEW

Below is an analysis of our key financial information including, but not limited to revenue, gross profit, expenses and profit for the year, which reflected the financial position of the business.

Revenue

The total revenue of the Group for the six months ended 30 September 2017 amounted to HKD169.7 million. This represented an increase of 11.1% over the revenue of HKD152.8 million in the same period of last year. The increase was mainly attributable from the revenue generated in the general trading of HKD21.4 million which was commenced in the beginning of the year 2017, and the contribution from the newly commenced business in securities investment of HKD8.5 million and the property investment of HKD0.3 million. The contribution from the interest income in money lending and finance leasing businesses were amounted to HKD1.5 million and HKD3.0 million respectively. Such increase was partially offset by the decline in revenue of Garments Business of HKD17.5 million from HKD152.5 million for the first half year 2016 to HKD135.0 million for the first half year 2017.

For the period under review, the major market of the Garment Business remained to be the USA, which accounted for 60.2% of the Group's total revenue, whereas 38.7% of the Group's total revenue was attributed to sales to Europe and Asia.

Gross profit

The gross profit from the Garments Business decreased HKD8.2 million from HKD19.6 million for the first half of 2016 to HKD11.4 million for the first half of 2017. The decrease was mainly due to the decrease of gross profit amount in Garments Business resulting from (i) the decline in sales orders placed by the customers, (ii) the increase in the cost of purchase of raw materials, and (iii) the increase in the sub-contracting charge.

The Group was continued to expand in money lending, finance leasing business and general trading, the gross profit from these segments increased to HKD1.5 million, HKD3.0 million and HKD1.1 million for the first half of year 2017, compared to HKD0.3 million, HKDNil and HKDNil for the first half of year 2016, respectively. The gross profit of the newly commenced business in securities investment and the property investment were contributed by HKD8.5 million and HKD0.3 million respectively.

The overall gross profit of the Group increased by 29.6% to HKD25.8 million for the six months ended 30 September 2017 from HKD19.9 million for the six months ended 30 September 2016. The overall gross profit margin increased to 15.2% for the first half of 2017 from 13.1% for the first half of 2016. The overall gross profit margin improved due to the positive contribution in the money lending and finance leasing businesses and the newly commenced business in securities investment, which had the higher margins.



Expenses

The Group's administrative expenses from continuing operations was slightly decreased by HKD0.7 million from HKD20.7 million for the six months ended 30 September 2016 to HKD20.0 million for the six months ended 30 September 2017.

The Group's selling expenses from continuing operations was slightly increased by HKD0.4 million from HKD3.2 million for the six months ended 30 September 2016 to HKD3.6 million for the six months ended 30 September 2017, due to the higher commissions cost for the sales orders in Garments Business.

Profit for the year

For the six months ended 30 September 2017, the Group recorded a net profit of HKD35.6 million as compared to a net loss of HKD1.9 million for the six months ended 30 September 2016, such turnaround mainly attributable to, (i) the fair value gain on the Group's investment properties located in Yunfu, PRC, (ii) the gain from the disposal of Hong Kong listed securities, and (iii) the one-off gain arising from the disposal of the new energy business companies which was completed in September 2017. Such improvement in the net profit was partly offset by the decrease of gross profit amount in Garments Business.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2017, the net current assets of the Group amounted to HKD176.4 million (31 March 2017: HKD47.2 million) of which HKD224.0 million (31 March 2017: HKD114.9 million) were cash and cash equivalents (excluded bank overdraft). The Group had borrowings and overdraft of HKD124.5 million (31 March 2017: HKD119.4 million) are repayable within one year and HKD107.0 million (31 March 2017: HKD53.9 million) are repayable after one year.

FUND RAISING ACTIVITIES

The Company had completed the following equity fund raising exercises for the six months ended 30 September 2017.

Date of announcement	Fund raising activity	Net proceeds	Proposed use of the net proceeds	Actual use of the net proceeds
26 May 2017	Placing of 283,000,000 new shares under general mandate	Approximately HKD78.4 million	as to (i) approximately HKD39.2 million for the expansion of the Group's existing businesses including the money lending business, finance leasing business and general trading, and (ii) approximately HKD39.2 million for the general working capital of the Group and for investments opportunities as may be identified from time to time.	Used as intended except for the HKD29.2 million had been reallocated for the identified investment as disclosed to the Company's announcement dated 1 August 2017
15 September 2017	Subscription of 339,600,000 new shares under general mandate	Approximately HKD78 million	as to (i) approximately HKD50 million for the expansion of the Group's existing businesses including the money lending, leasing business, securities trading and investment, and general trading; (ii) approximately HKD20 million for repayment of loans; and (iii) approximately HKD8 million as general working capital of the Group.	Used as intended



UNLISTED WARRANTS

On 27 August 2015, the Company issued an aggregate of 283,000,000 unlisted warrants at the issue price of HKD0.02 per warrant to the subscribers, each of which would entitle the warrant holder(s) to subscribe in cash for one share at the exercise price of HKD3 (subject to adjustment) at any time during a period of 3 years commencing from the issue date of the unlisted warrants (the “**Unlisted Warrants**”). Upon full exercise of the subscription rights attaching to the Unlisted Warrants, a total of 283,000,000 warrant shares will be issued. The warrant shares, when fully paid and allotted will rank pari passu in all respects with the then existing issued shares of the Company.

As at 30 September 2017, no Unlisted Warrants was exercised by the warrant holder(s).

FOREIGN EXCHANGE AND INTEREST RATE RISKS 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 dollar, which is pegged to the United States dollar, and Renminbi. The sales of the Group and purchases of raw materials are mainly denominated in United States dollar, while the Group’s operations in China, the location of its production, are primarily conducted in Renminbi, while its Hong Kong operations are conducted in Hong Kong dollar. The management will closely monitor such risk and will consider hedging significant foreign currency exposure should the need arise.

The interest-rate risk arises from the borrowings and overdrafts, which issue at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group analyses its interest rate exposure on a dynamic basis and considers managing this risk in a cost-effective manner when appropriate, through variety of means.

INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 30 September 2017 (30 September 2016: HKDNil).

CHARGE ON GROUP ASSETS

As at 30 September 2017, certain of the Group’s investment properties located in Yunfu, PRC with net carrying amount of HKD177.9 million was used to secure the banking facilities.

As at 31 March 2017, no assets of the Group were pledged to secure the credit facilities utilised by the Group.

FINANCIAL GUARANTEES ISSUED

As at 30 September 2017, the Company had issued corporate guarantees amounting to HKD199.0 million (31 March 2017: HKD184.2 million) to banks and lenders in connection with facilities granted to 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 2017, the Directors considered it was not probable that a claim will 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 amounted to the facilities drawn down by the subsidiaries of HKD135.6 million (31 March 2017: HKD131.8 million).

CAPITAL EXPENDITURES AND COMMITMENTS

During the period under review, the Group invested HKD2.7 million (30 September 2016: HKD1.4 million) on property, plant and equipment which was spent on leasehold improvements, plant and machinery, furniture, fixtures and equipment and motor vehicles.

As at 30 September 2017, the Group had capital commitments of HKDNil (31 March 2017: HKD58.4 million) in acquisition of property, plant and equipment in relation to the development of New Energy Business.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2017, the Group had a total of approximately 470 employees (30 September 2016: approximately 1,400 employees). The total staff cost of the Group amounted to approximately HKD22.0 million during the period, representing 13.0% 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 difference positions.



EVENT AFTER THE REPORTING PERIOD

Placing of New Shares under Specific Mandate and Connected Transaction Involving Subscription of New Shares under Specific Mandate

On 11 October 2017, the Company entered into the placing agreement with the placing agent pursuant to which the placing agent has conditionally agreed to procure placees, on a best effort basis to subscribe for of up to 326,750,000 new shares at the placing price of HKD0.224 per placing share. On the same date, the Company entered into the subscription agreements with the subscribers pursuant to which the subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 535,650,000 new shares at the subscription price of HKD0.224 per subscription share to the subscribers (the **"Placing and Subscription"**).

The Placing and Subscription and transactions contemplated thereunder are subject to the approval by the shareholders and independent shareholders of the Company at the special general meeting on 29 November 2017, and the Stock Exchange of Hong Kong Limited (the **"Stock Exchange"**) approving the Placing and Subscription and listing on the Stock Exchange of new shares arising from the Placing and Subscription.

FUTURE PROSPECTS

The Group has been diversified its business segments by entering into different business fields, such as the property investment and securities investment and looking forward, the Group will maintain and develop its well diversified businesses. The Group will continuously to consider any measurements in all aspects of the business operation to enhance the profitability and competitiveness of the Group and continue to develop the diversified business and make better use or consider any available resources of the Group.

The Group will continue to explore new investment opportunities with the aim to provide a stable income and growth to the Group's long term performance and enhance the returns to the shareholders of the Company.

OTHER INFORMATION

MAJOR TRANSACTIONS

Major Transaction in Relation to the Credit Facility Agreement

On 26 July 2017, the Company, through its direct wholly-owned subsidiary, entered a credit facility agreement with a lessee for the provision of revolving finance leasing with leasing amount not exceeding RMB200 million in aggregate for a term of two years.

Major Transaction in Relation to the Disposal of New Energy Business Companies

On 1 August 2017, the Company, through its indirect wholly-owned subsidiary, entered an equity transfer agreement with the vendor for the Disposal at the consideration of RMB38 million. Completion of the Disposal took place on 26 September 2017. Thereafter the Disposal Group has ceased to be the subsidiaries of the Company.

The above major transactions had been approved as the ordinary resolutions by the shareholders of the Company at the special general meetings of the Company on 19 September 2017.

INCREASE IN AUTHORISED SHARE CAPITAL

On 21 July 2017, the authorised share capital of the Company was increased from HKD50,000,000 divided into 2,500,000,000 Shares of HKD0.02 each (the "Shares") to HKD200,000,000 divided into 10,000,000,000 Shares by the creation of an additional 7,500,000,000 new Shares subject to shareholders' approval. References were made in the announcement dated 21 June 2017, circular dated 6 July 2017 and poll results of special general meeting dated 21 July 2017.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2017, the interests and short positions of the Directors and chief executive of the Company 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 (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follow:

Name of Director	Number of Shares Interested (Long Position)	Capacity	Approximate % of the Issued Share Capital of the Company (Note 1)
Mr. Wang Jian	396,200,000	Beneficial owner	19.44%

Note:

1. The percentage was calculated based on the total number of Shares of the Company as at 30 September 2017, which was 2,037,600,000.

Save as disclosed above, as at 30 September 2017, none of the Directors nor chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2017, so far as is known to the Directors and chief executive of the Company, other than the interests of the Directors and chief executive of the Company as disclosed above, the following persons had interests or short positions in the Shares or 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, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follow:

Name of Shareholders	Number of Shares Interested (Long Position)	Capacity	Approximate % of the Issued Share Capital of the Company <i>(Note 1)</i>
Tengyue Holding Limited <i>("Tengyue")</i>	339,600,000	Beneficial owner <i>(Note 2)</i>	16.67%
Beyond Glory Holdings Limited <i>("Beyond Glory")</i>	339,600,000	Interests of controlled corporation <i>(Note 2)</i>	16.67%
Mr. Feng Guoming <i>("Mr. Feng")</i>	339,600,000	Interests of controlled corporation <i>(Note 2)</i>	16.67%
Tai He Financial Group Limited <i>("Tai He")</i>	283,377,950	Beneficial owner <i>(Note 3)</i>	13.91%
Chua Lee Holdings Limited <i>("Chua Lee")</i>	283,377,950	Interests of controlled corporation <i>(Note 3)</i>	13.91%
Mr. Huang Shilong	212,250,000	Beneficial owner	10.42%

Notes:

1. The percentage was calculated based on the total number of Shares of the Company as at 30 September 2017, which was 2,037,600,000.
2. Tengyue is wholly owned by Beyond Glory. Beyond Glory is wholly owned by Mr. Feng. Accordingly, Beyond Glory and Mr. Feng are deemed to be interested in all the Shares held by Tengyue under the provision of SFO.
3. Tai He is controlled by Chua Lee. Accordingly, Chua Lee is deemed to be interested in all the Shares held by Tai He under the provision of SFO.

Save as disclosed above, as at 30 September 2017, the Company had not been notified of any other person or corporation (other than Directors or chief executive of the Company) as being interested or deemed to have interests or short positions in Shares or underlying Shares of the Company which would fall to be disclosed to the Company or the Stock Exchange under Part XV of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed Shares during the six months ended 30 September 2017.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company since the date of the 2017 Annual Report of the Company are set out below:

The emoluments of Ms. Qian Pu, an Executive Director of the Company, has been increased to HKD842,000 per annum from HKD390,000 per annum, with effect from 1 October 2017.

Mr. Law Fei Shing, a Non-executive Director of the Company, has been appointed as a non-executive director of S. Culture International Holdings Limited (Stock Code: 1255), with effect from 17 June 2017.


Mr. Shin Yick, a Non-executive Director of the Company, has been appointed as the director of Bio-key International Inc. (NASDAQ: BKYI) with effect from 20 November 2017.

Save as disclosed above, there is no other information required to be disclosed herein pursuant to Rule 13.51B(1) of the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2017, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, except for the following deviations:

Under code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wang Jian served as the Chairman of the Board and the Chief Executive Officer of the Company. Mr. Wang has extensive experience in the construction and engineering industry and is responsible for the overall corporate strategies, planning and business development of the Group. Accordingly, the Board believes that this structure has the advantage of a strong and consistent leadership which is conducive to making and implementing decision efficiently and consistently, and the balance of power and authority is adequately ensured by the operation of the Board which comprises experienced and high caliber individuals, with majority of non-executive Directors (including independent non-executive Directors);



Under code provision A.4.1, non-executive directors should be appointed for a specific term and are subject to re-election. Mr. Law Fei Shing, who is non-executive Director of the Company, was not appointed for specific term but is subject to retirement by rotation and re-election at annual general meeting at least once every three years in accordance with the Bye-laws of the Company; and

Under the code Provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings of the Company. Due to the respective business commitments, Mr. Shin Yick Fabian, a non-executive Director, could not attend the annual general meeting and the special general meeting of the Company both held on 21 July 2017; and Mr. Xie Xiaobiao, an independent non-executive Director, could not attend the special general meetings of the Company held on 19 September 2017.

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 regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code for the six months ended 30 September 2017.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the unaudited interim financial statements for the six months ended 30 September 2017 ("**Interim Results**") with no disagreement. At the request of the Directors, the Group's external auditors have carried out a review of the Interim Results 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 HKICPA.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company maintains a sufficient public float with more than 25% of the issued share of the Company being held by the public as at 30 September 2017.

By order of the Board

Pak Tak International Limited

Wang Jian

Chairman and Chief Executive Officer

Hong Kong, 17 November 2017



BAKER TILLY
HONG KONG | 天職香港

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF
PAK TAK INTERNATIONAL LIMITED**

(Incorporated in the Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements set out on pages 16 to 40 which comprises the condensed consolidated statement of financial position of Pak Tak International Limited (the "Company") and its subsidiaries (together the "Group") as at 30 September 2017 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other 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 a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") 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 HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review, 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 are not prepared, in all material respects, in accordance with HKAS 34.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 17 November 2017

Choi Kwong Yu

Practising certificate number P05071

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2017

		Six months ended 30 September	
	Note	2017 HKD'000 (unaudited)	2016 HKD'000 (unaudited)
Continuing operations			
Revenue			
Cost of sales and services	4	169,692 (143,843)	152,781 (132,834)
		<hr/>	<hr/>
Gross profit		25,849	19,947
Other revenue	7	969	1,327
Other net loss	7	(966)	(282)
Fair value gain on investment properties		62,879	–
Administrative expenses		(20,028)	(20,696)
Selling expenses		(3,628)	(3,186)
		<hr/>	<hr/>
Profit/(loss) from operations	8	65,075	(2,890)
Finance costs	9	(3,942)	(331)
		<hr/>	<hr/>
Profit/(loss) before taxation		61,133	(3,221)
Income tax (expense)/credit	10	(17,905)	1,329
		<hr/>	<hr/>
Profit/(loss) from continuing operations		43,228	(1,892)
Discontinued operations			
Loss for the period from discontinued operations	6(a)	(7,581)	–
		<hr/>	<hr/>
Profit/(loss) for the period		35,647	(1,892)
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

For the six months ended 30 September 2017

	Note	Six months ended 30 September 2017 HKD'000 (unaudited)	2016 HKD'000 (unaudited)
Attributable to:			
Equity shareholders of the Company		44,342	(1,892)
Non-controlling interests		(8,695)	–
		<u>35,647</u>	<u>(1,892)</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings/(loss) per share	11		
From continuing and discontinued operations			
– Basic and diluted		<u>2.77</u>	<u>(0.13)</u>
From continuing operations			
– Basic and diluted		<u>2.70</u>	<u>(0.13)</u>

The notes on page 23 to 40 form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	<i>Note</i>	Six months ended 30 September 2017 HKD'000 (unaudited)	2016 HKD'000 (unaudited)
Profit/(loss) for the period		35,647	(1,892)
Other comprehensive income/(loss) 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		<u>12,175</u>	<u>(1,735)</u>
Total comprehensive income/(loss) for the period		<u>47,822</u>	<u>(3,627)</u>
Attributable to:			
Equity shareholders of the Company		56,673	(3,627)
Non-controlling interests		<u>(8,851)</u>	<u>–</u>
		<u>47,822</u>	<u>(3,627)</u>

The notes on page 23 to 40 form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

	Note	At 30 September 2017 HKD'000 (unaudited)	At 31 March 2017 HKD'000 (audited)
Non-current assets			
Property, plant and equipment	13	18,184	42,879
Investment properties	14	177,889	–
Goodwill	15	–	14,518
Capitalised development costs	16	–	7,721
Deposits paid for acquisition of property, plant and equipment		–	118,790
Finance lease receivables	17	49,586	33,668
Available-for-sale financial assets	18	33,000	–
Deferred tax assets		–	5,651
		<u>278,659</u>	<u>223,227</u>
Current assets			
Inventories		37,466	41,019
Trade receivables	19	69,713	11,855
Loan receivables	20	36,016	45,301
Current portion of finance lease receivables	17	28,687	15,602
Other receivables, prepayments and deposits		12,934	7,952
Cash and cash equivalents		224,024	114,872
		<u>408,840</u>	<u>236,601</u>
Current liabilities			
Trade payables	21	20,900	24,205
Other payables and accrued charges		87,024	45,708
Borrowings and overdraft	22	124,527	119,440
Tax payable		2	12
		<u>232,453</u>	<u>189,365</u>
Net current assets		<u>176,387</u>	<u>47,236</u>
Total assets less current liabilities		<u>455,046</u>	<u>270,463</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 September 2017

		At 30 September 2017 HKD'000 (unaudited)	At 31 March 2017 HKD'000 (audited)
Non-current liabilities			
Deferred tax liabilities		12,373	–
Borrowings	22	106,971	53,867
Provision and other accrued charges		14,583	14,477
		<u>133,927</u>	<u>68,344</u>
NET ASSETS		<u>321,119</u>	<u>202,119</u>
CAPITAL AND RESERVES	23		
Share capital		40,752	28,300
Reserves		280,367	78,798
Equity attributable to equity shareholders of the Company		321,119	107,098
Non-controlling interests		–	95,021
TOTAL EQUITY		<u>321,119</u>	<u>202,119</u>

Approved and authorised for issue by the board of directors on 17 November 2017.

Wang Jian
Director

Qian Pu
Director

The notes on pages 23 to 40 form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Attributable to equity shareholders of the Company						Non-controlling interests HKD'000	Total equity HKD'000
	Share capital HKD'000	Share premium HKD'000	Warrant reserve HKD'000	Exchange reserve HKD'000	Retained profits HKD'000	Sub-total HKD'000		
Balance at 1 April 2016 (audited)	28,300	41,308	5,490	(1,891)	66,124	139,331	-	139,331
Changes in equity for the six months ended 30 September 2016:								
Loss for the period	-	-	-	-	(1,892)	(1,892)	-	(1,892)
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	(1,735)	-	(1,735)	-	(1,735)
Total comprehensive loss for the period	-	-	-	(1,735)	(1,892)	(3,627)	-	(3,627)
Balance at 30 September 2016 (unaudited)	<u>28,300</u>	<u>41,308</u>	<u>5,490</u>	<u>(3,626)</u>	<u>64,232</u>	<u>135,704</u>	<u>-</u>	<u>135,704</u>
Balance at 1 April 2017 (audited)	28,300	41,308	5,490	(5,205)	37,205	107,098	95,021	202,119
Changes in equity for the six months ended 30 September 2017:								
Profit/(loss) for the period	-	-	-	-	44,342	44,342	(8,695)	35,647
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	12,331	-	12,331	(156)	12,175
Total comprehensive income/(loss) for the period	-	-	-	12,331	44,342	56,673	(8,851)	47,822
Issue of shares (note 23)	12,452	144,896	-	-	-	157,348	-	157,348
Disposal of subsidiaries (note 6(c))	-	-	-	(4,789)	4,789	-	(86,170)	(86,170)
Balance at 30 September 2017 (unaudited)	<u>40,752</u>	<u>186,204</u>	<u>5,490</u>	<u>2,337</u>	<u>86,336</u>	<u>321,119</u>	<u>-</u>	<u>321,119</u>

The notes on page 23 to 40 form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017	2016
	<i>HKD'000</i>	<i>HKD'000</i>
	(unaudited)	(unaudited)
Net cash generated from/(used in) operating activities	19,755	(87,709)
Investing activities		
Purchase of property, plant and equipment	(2,698)	(1,400)
Acquisition of investment properties	(56,204)	–
Acquisition of a subsidiary	(33,000)	–
Disposal of subsidiaries	(17,019)	–
Other investing cash flows	(7,945)	14
Net cash used in investing activities	(116,866)	(1,386)
Financing activities		
Issuance of new shares	157,348	–
Bank loans raised, net	61,247	12,017
Other financing cash flows	(6,193)	(331)
Net cash generated from financing activities	212,402	11,686
Net increase/(decrease) in cash and cash equivalents	115,291	(77,409)
Cash and cash equivalents at 1 April	93,381	134,655
Effect of foreign exchange rate changes	(3,083)	217
Cash and cash equivalents at 30 September	205,589	57,463
Analysis of cash and cash equivalents:		
Cash and cash equivalents in the condensed consolidated statement of financial position	224,024	77,296
Bank overdraft	(18,435)	(19,833)
	205,589	57,463

The notes on page 23 to 40 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 was Office Nos 2 and 3, 22nd Floor, Tower 2 Lippo Centre, No. 89 Queensway, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in manufacturing of and trading in knit-to-shape garments, money lending, leasing business, property investment, securities investment and general trading.

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 2017 which has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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.

- Amendments to HKAS 7, “Disclosure Initiative”
- Amendments to HKAS 12, “Recognition of Deferred Tax Assets for Unrealised Losses”
- Amendments to HKFRS, “Annual Improvements to HKFRSs 2014-2016 Cycle-Various Standards”

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 standards and amendments that are not yet effective for the current accounting period.



NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

4. SEGMENT REPORTING

The chief operating decision-maker (“CODM”) has been identified as the board of the executive directors of the Company. The CODM reviews the Group’s internal reporting in order to assess performance and allocate resources.

The Group is organised into business units based on their products and services and has seven reportable operating segments under HKFRS 8 Operating Segments which were as follows:

- (i) Manufacturing and trading of garment;
- (ii) Money lending business;
- (iii) Leasing business;
- (iv) General trading;
- (v) New energy development;
- (vi) Property investment; and
- (vii) Securities investment

After the disposal of the subsidiaries as described in note 6, the new energy development business were discontinued.

The Group’s operations are monitored with strategic decisions which are made on the basis of operating results, consolidated assets and liabilities as reflected in the condensed consolidated financial statements.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

4. SEGMENT REPORTING (Continued)

The following is an analysis of the Group's revenue and results by reportable segments:

	Continuing business												Discontinued business		Total			
	Manufacturing and trading of garment		Money lending business		Securities investment		Leasing business		General trading		Property investment		Subtotal		New energy development		2017	2016
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016		
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	
Six months ended 30 September (unaudited)																		
Revenue from external customers	134,991	152,475	1,456	306	8,520	-	3,014	-	21,353	-	358	-	169,692	152,761	-	-	169,692	152,761
Segment result	(1,871)	4,831	129	(1,507)	7,192	-	1,442	-	592	-	62,872	-	70,356	2,934	(5,456)	-	64,898	2,924
Reconciliation:																		
Interest income																	322	-
Unallocated gains																	114	6
Corporate and other unallocated expenses																	(5,550)	(6,151)
Finance costs																	(6,193)	-
Loss before taxation																	53,591	(3,221)
Income tax (expense)/credit																	(17,944)	1,329
Loss for the period																	35,647	(1,892)

	Continuing business												Discontinued business		Total			
	Manufacturing and trading of garment		Money lending business		Securities investment		Leasing business		General trading		Property investment		Subtotal		New energy development		2017	2016
	At 30 September 2017	At 31 March 2017	At 30 September 2017	At 31 March 2017	At 30 September 2017	At 31 March 2017	At 30 September 2017	At 31 March 2017	At 30 September 2017	At 31 March 2017	At 30 September 2017	At 31 March 2017	At 30 September 2017	At 31 March 2017	At 30 September 2017			
	HKD'000 (unaudited)	HKD'000 (audited)	HKD'000 (unaudited)	HKD'000 (audited)	HKD'000 (unaudited)	HKD'000 (audited)	HKD'000 (unaudited)	HKD'000 (audited)	HKD'000 (unaudited)	HKD'000 (audited)	HKD'000 (unaudited)	HKD'000 (audited)	HKD'000 (unaudited)	HKD'000 (audited)	HKD'000 (unaudited)	HKD'000 (audited)		
Segment assets	118,165	66,299	51,831	69,285	25,432	-	161,815	88,211	15,151	17,328	241,542	-	613,936	240,123	-	203,215	613,936	443,338
Reconciliation:																		
Deferred tax assets																	-	5,651
Corporate and other unallocated assets																	73,563	10,839
Total assets																	687,499	459,828
Segment liabilities	123,256	73,092	476	1	-	-	91,026	71,330	470	17,328	115,319	-	330,547	161,751	-	71,523	330,547	233,274
Reconciliation:																		
Deferred tax liabilities																	12,373	-
Corporate and other unallocated liabilities																	23,460	24,435
Total liabilities																	366,380	257,709

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

4. SEGMENT REPORTING (Continued)

The Group's revenue from external customers by geographical market is as follows:

	Six months ended 30 September	
	2017	2016
	HKD'000	HKD'000
United States of America ("USA")	102,143	125,032
Europe	19,104	9,395
Asia	46,573	15,668
Others	1,872	2,686
	<u>169,692</u>	<u>152,781</u>

5. SEASONALITY OF OPERATIONS

The Group normally experiences higher demands for manufacture of and trading in knit-to-shape garments 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. For money lending business, the Group expects a pattern to be linked to economic situation and demand of its potential borrowers from time to time.

6. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES

On 1 August 2017, the Group entered into an equity transfer agreement (the "Sale and Purchase Agreement") with the purchaser pursuant to which the Group has conditionally agreed to dispose of the entire equity interest in Shenzhen Taihe Yutong New Energy Technology Company Limited and its subsidiaries (the "Taihe Group") for a cash consideration of RMB38,000,000 (equivalent to HKD44,600,600) to the purchaser. Completion of the disposal under the Sale and Purchase Agreement took place on 26 September 2017 on which date control of the Taihe Group was passed to the purchaser. After the completion of the disposal, Shenzhen Taihe Yutong New Energy Technology Company Limited, Shenzhen Senpai New Energy Technology Company Limited and Zhengzhou Senpai New Energy Technology Company Limited ceased to be subsidiaries of the Company and the assets, liabilities and financial results of the Taihe Group are no longer consolidated in the condensed consolidated financial statements of the Group. Details of the disposal was set out in the announcement of the Company dated 1 August 2017.

The results from the discontinued new energy development business for the current and proceeding interim periods are analysed below. Since the new energy development business was acquired on November 2016, which is after the last interim financial period, therefore, no effect on the comparable figures of the Group in the condensed consolidated statement of profit or loss that would result in prior period restatement.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

6. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES (Continued)

(a) Results of discontinued operations

	1 January to 26 September 2017 HKD'000 (unaudited)	Six months ended 30 September 2016 HKD'000 (unaudited)
Revenue	-	-
Cost of sales	-	-
	<hr/>	<hr/>
Other revenue	167	-
Other net gain	10,497	-
Research and development cost	(2,808)	-
Administrative expenses	(13,147)	-
	<hr/>	<hr/>
Loss from operations	(5,291)	-
Finance costs	(2,251)	-
	<hr/>	<hr/>
Loss before taxation	(7,542)	-
Income tax	(39)	-
	<hr/>	<hr/>
Loss from discontinued operations	(7,581)	-
	<hr/>	<hr/>
Attributable to:		
Equity shareholders of the Company	1,114	-
Non-controlling interests	(8,695)	-
	<hr/>	<hr/>
	(7,581)	-
	<hr/>	<hr/>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

6. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES (Continued)

(b) The net cash flows incurred by discontinued operations

	1 January to 26 September 2017 HKD'000 (unaudited)	Six months ended 30 September 2016 HKD'000 (unaudited)
Net cash from operating activities	49,966	–
Net cash from investing activities	87	–
Net cash used in financing activities	(56,442)	–
Net cash outflows	(6,389)	–

(c) Disposal of subsidiaries

The net assets of these disposed subsidiaries at the date of disposal were as follows:

	<i>HKD'000</i> (unaudited)
Net assets disposed of:	
Property, plant and equipment	22,973
Goodwill	14,518
Deposits paid for acquisition of property, plant and equipment	80,769
Capitalised development costs	9,450
Other receivables, prepayments and deposits	4,944
Amount due from a fellow subsidiary	2,354
Cash and cash equivalents	61,620
Other payables and accrued charges	(76,315)
Tax payable	(39)
	<hr/>
Non-controlling interests	120,274
	<hr/> (86,170)
Net assets	<hr/> 34,104
Consideration received:	
Cash received	44,601
Less: net assets disposal	<hr/> (34,104)
Gain on disposal of subsidiaries	<hr/> 10,497
Outflow of cash arising from disposal of subsidiaries:	
Consideration received in cash	44,601
Cash and cash equivalents in subsidiaries disposed of	<hr/> (61,620)
Net cash outflows from disposal of subsidiaries	<hr/> (17,019)

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

7. OTHER REVENUE AND OTHER NET LOSS

	Six months ended 30 September	
	2017	2016
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Other revenue		
Discount received	142	209
Other interest income	155	22
Reimbursement income	–	387
Sales of scrap and unused raw materials	35	74
Sundry	637	635
	<u>969</u>	<u>1,327</u>
Other net loss		
Exchange loss, net	(1,080)	(295)
Gain on disposal of property, plant and equipment	114	13
	<u>(966)</u>	<u>(282)</u>

8. PROFIT/(LOSS) FROM OPERATIONS

	Six months ended 30 September	
	2017	2016
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Profit/(loss) from operations has been arrived at after charging:		
Depreciation on property, plant and equipment	4,020	4,254

9. FINANCE COSTS

The finance costs represent interests on bank loans and overdraft.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

10. INCOME TAX

	Six months ended 30 September	
	2017	2016
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Deferred tax		
Origination and reversal of temporary differences	<u>17,905</u>	<u>(1,329)</u>
Income tax expense/(credit)	<u>17,905</u>	<u>(1,329)</u>

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 subsidiaries in the People's Republic of China (the "PRC") is subject to a tax rate of 25%. No provision for income tax has been made by the subsidiaries for the period (six months ended 30 September 2016: HKDnil) as they either do not have assessable profit or have agreed tax losses brought forward in excess of any estimated assessable profits.

11. EARNINGS/(LOSS) PER SHARE

The diluted earnings/(loss) per share for the six months ended 30 September 2017 and 2016 was same as the basic earnings/(loss) per share. The computation of diluted earnings/(loss) 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 of the shares for the six months ended 30 September 2017 and 2016.

Basic earnings/(loss) per share is calculated by dividing the earnings/(loss) attributable to equity shareholders of the Company by weighted average number of ordinary shares in issue during the interim period.

	Six months ended 30 September	
	2017	2016
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Earnings/(loss)		
Profit/(loss) attributable to equity shareholders of the Company		
– From continued operations	43,228	(1,892)
– From discontinued operations	<u>1,114</u>	<u>–</u>
	<u>44,342</u>	<u>(1,892)</u>
Number of shares	'000	'000
Weighted average number of ordinary shares in issue	<u>1,603,357</u>	<u>1,415,000</u>

No adjustment had been made to the basic earnings/(loss) per share amount in respect of a potential dilution of the outstanding warrants because of which had an anti-dilutive effect on the basic earnings/(loss) per share as presented.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

12. DIVIDEND

The directors did not recommend the payment of any interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: HKDNil).

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group acquired property, plant and equipment at a cost of HKD2,698,000 (six months ended 30 September 2016: HKD1,400,000).

Assets with a carrying amount of HKD22,973,000 were disposed of as part of the discontinued operations (see note 6).

14. INVESTMENT PROPERTIES

	At 30 September 2017 HKD'000 (unaudited)	At 31 March 2017 HKD'000 (audited)
At the beginning of the period/year	–	–
Addition	113,895	–
Exchange realignment	1,115	–
Fair value gain	62,879	–
	<hr/>	<hr/>
At the end of the period/year	177,889	–

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The investment properties are situated in Mainland China and are held under a medium term lease.

Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties is measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The fair value of the Group's investment properties at 30 September 2017 has been arrived at on the basis of valuation by 深圳市遂興房地產評估有限公司, independent qualified professional valuers not connected with the Group.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

14. INVESTMENT PROPERTIES (Continued)

The valuation of the Group's investment properties at 30 September 2017 is derived by recent comparable sales transactions in the relevant property market in Mainland China together with unobservable inputs and are therefore grouped into Level 3 of fair value measurement. During the reporting period, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	At 30 September 2017 HKD'000 (unaudited)	At 31 March 2017 HKD'000 (audited)
At the beginning of the period/year	–	–
Addition	113,895	–
Exchange realignment	1,115	–
Fair value adjustment	62,879	–
	<hr/>	<hr/>
At the end of the period/year	177,889	–

15. GOODWILL

The amounts of goodwill capitalised as an asset and recognised in the condensed consolidated statement of financial position, arising from the acquisition of a subsidiary, is as follows:

	At 30 September 2017 HKD'000 (unaudited)	At 31 March 2017 HKD'000 (audited)
Cost		
At the beginning of the period/year	14,518	–
Acquisition of a subsidiary	–	14,518
Disposal of subsidiaries (Note 6(c))	(14,518)	–
	<hr/>	<hr/>
Carrying amount		
At the end of the period/year	–	14,518

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

17. FINANCE LEASE RECEIVABLES

	At 30 September 2017 HKD'000 (unaudited)	At 31 March 2017 HKD'000 (audited)
Non-current finance lease receivables	49,586	33,668
Current finance lease receivables	28,687	15,602
	<u>78,273</u>	<u>49,270</u>

The total minimum lease payments receivable under finance leases and their present values are as follows:

	Minimum lease payments receivable		Present value of minimum lease payments	
	At 30 September 2017 HKD'000 (unaudited)	At 31 March 2017 HKD'000 (audited)	At 30 September 2017 HKD'000 (unaudited)	At 31 March 2017 HKD'000 (audited)
Within one year	35,972	19,049	28,687	15,602
Later than one year and not later than five years	<u>50,523</u>	<u>36,103</u>	<u>49,586</u>	<u>33,668</u>
Unearned interest income	<u>86,495</u> (8,222)	<u>55,152</u> (5,882)	<u>78,273</u> -	<u>49,270</u> -
Present value of minimum lease payments receivable	<u>78,273</u>	<u>49,270</u>	<u>78,273</u>	<u>49,270</u>

Certain motor vehicles are leased out under finance leases. The terms of finance leases is 36 months (31 March 2017: 36 months). The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate is approximately 8% (31 March 2017: 8%) per annum.

Finance lease receivables are secured over the motor vehicles leased. The Company is not permitted to sell or repledge the collateral in the absence of default by the lessee. The finance lease receivables at 30 September 2017 are neither past due nor impaired.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	At 30 September 2017 HKD'000 (unaudited)	At 31 March 2017 HKD'000 (audited)
Unlisted equity securities, at cost	<u>33,000</u>	<u>–</u>

The balance represents 10.66% equity investment in CVP Financial Holdings Limited ("CVP Holdings"), a private entity established in the British Virgin Islands. The investment in CVP Holdings is measured at cost less impairment at the end of the reporting period. Because the range of reasonable fair value estimates of these equity securities is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

19. TRADE RECEIVABLES

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

	At 30 September 2017 HKD'000 (unaudited)	At 31 March 2017 HKD'000 (audited)
Within 1 month	34,094	9,160
1 to 3 months	23,273	2,212
3 to 12 months	<u>12,346</u>	<u>483</u>
	<u>69,713</u>	<u>11,855</u>

Individual credit evaluations are performed on all customers for trading of knit-to-shape garments 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

20. LOAN RECEIVABLES

The loan receivables from the money lending line of business are provided to independent third parties after a credit assessment on the borrowers, bear interest at 11% per annum and repayable in 1 year (31 March 2017: 8% and repayable in 1 year). As at 30 September 2017, the loan receivables of amounting to HKD18,011,000 are secured by the charges on certain shares of a company listed on the Main Board of The Stock Exchange of Hong Kong Limited held by the borrower and the personal guarantee given by the sole director of the borrower and another of amounting to HKD18,005,000 are secured by the charges on certain shares of a private company incorporated in Hong Kong held by the borrower.

21. TRADE PAYABLES

The following is an aging analysis of trade payables at the end of the reporting period based on invoice date:

	At 30 September 2017 HKD'000 (unaudited)	At 31 March 2017 HKD'000 (audited)
Within 1 month	11,434	22,082
1 to 3 months	7,516	1,856
3 to 12 months	1,950	267
	20,900	24,205

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

22. BORROWINGS AND OVERDRAFT

	At 30 September 2017 HKD'000 (unaudited)	At 31 March 2017 HKD'000 (audited)
Bank loans, secured (Note (a))	106,209	7,637
Bank overdraft (Note (a))	18,435	21,491
Shareholder's loan, unsecured (Note (b))	20,000	20,000
Other borrowings, unsecured (Note (c))	86,854	124,179
	<u>231,498</u>	<u>173,307</u>

The maturity profile of borrowings and overdraft, based on the scheduled repayment dates set out in relevant loan agreements, is as follows:

Within 1 year	124,527	119,440
After 1 year but within 2 years	25,751	20,000
After 2 years but within 5 years	52,464	33,867
Over 5 years	28,756	–
	<u>231,498</u>	<u>173,307</u>
Less: Amount due within one year or repayable on demand classified as current liabilities	<u>(124,527)</u>	<u>(119,440)</u>
	<u>106,971</u>	<u>53,867</u>

Notes:

- (a) At 30 September 2017, bank loans of HKD48,698,000 (31 March 2017: HKD7,637,000) were secured by corporate guarantee from the Company, legal charges on leasehold properties of companies controlled by and personal guarantees from Mr. Cheng Kwai Chun ("Mr. Cheng"), a director of a wholly owned subsidiary of the Company. Bank loan of HKD57,511,000 (31 March 2017: Nil) was secured by investment properties of the Group. Bank overdraft of HKD18,435,000 (31 March 2017: HKD17,991,000) was secured by legal charge on certain assets of Mr. Cheng.
- (b) Shareholder's loan is unsecured, interest-bearing at 5% per annum (31 March 2017: 5% per annum) and is repayable on 4 January 2019.
- (c) Other borrowings are obtained from independent third parties and were secured by corporate guarantee from the Company. Amounts of HKD51,643,000 are interest-bearing in the range from 6% to 9% per annum (31 March 2017: HKD90,312,000 are interest-bearing in the range from 6% to 8% per annum) and are repayable within 1 year. Amount of HKD35,211,000 is interest-bearing at 6% per annum and is repayable within 2 years (31 March 2017: HKD33,867,000 is interest bearing at 6% per annum and is repayable within 3 years).

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

23. CAPITAL AND RESERVES

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.

At 30 September 2017, the Company had 283,000,000 (31 March 2017: 283,000,000) outstanding warrants. Exercise in full of such outstanding warrants would result in the issue of 283,000,000 (31 March 2017: 283,000,000) additional ordinary shares.

On 12 June 2017, the Company issued 283,000,000 new ordinary shares under placing agreement to not less than six placees, at the placing price of HKD0.28 per share for a total cash consideration of approximately HKD79,240,000.

On 22 September 2017, the Company issued 339,600,000 new ordinary shares under subscription agreement, at the subscription price of HKD0.23 per share for a total cash consideration of approximately HKD78,108,000.

At 30 September 2017, the total number of issued shares of the Company was 2,037,600,000 (31 March 2017: 1,415,000,000) ordinary shares at HKD0.02 each.

24. PLEDGE OF ASSETS

At 30 September 2017, the investment properties of the Group with carrying amount of HKD177,889,000 (31 March 2017: Nil) have been pledged to secure a bank loan granted to the Group.

25. 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	
	2017	2016
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Salaries, allowances and other benefits	2,068	3,438
Contributions to defined contribution retirement plan	45	71
	<u>2,113</u>	<u>3,509</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

25. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Financing arrangements

At 30 September 2017, certain general banking facilities totaling HKD87,500,000 (31 March 2017: HKD80,000,000) were secured by legal charges on leasehold properties of companies controlled by Mr. Cheng, the director and legal representative of certain major subsidiaries of the Group, legal charges on certain assets of Mr. Cheng and personal guarantees from Mr. Cheng. At 30 September 2017, these facilities were utilised by the Group to the extent of HKD67,133,000 (31 March 2017: HKD17,991,000).

(c) Other related party transactions

The Group also entered into the following material related party transactions during the period:

Related parties	Nature of transactions	Six months ended 30 September	
		2017 HKD'000 (unaudited)	2016 HKD'000 (unaudited)
Companies in which Mr. Cheng has interests or significant influences	Sales of goods	4,750	745
	Rental and other income received	159	–
	Commission paid	262	–
	Overdue interest income	5	2
	License fee paid	451	451
	Rental expenses paid	1,917	1,915
A shareholder of the Company	Interest paid	666	–

Trade receivables at 30 September 2017 included amounts of HKD5,271,000 (31 March 2017: HKD657,000) due from the above related parties.

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

26. ACQUISITION OF A SUBSIDIARY ACCOUNTED FOR AS ASSETS ACQUISITION

On 31 August 2017, Golden Flourish International Limited, a direct wholly-owned subsidiary of the Company, has completed the acquisition of the 100% equity interest in Hua Tong Investment Holding Limited ("HTI"), at a cash consideration of HKD33,000,000, from an independent third party vendor. The directors of the Company are of the opinion that the acquisition of HTI is in substance an asset acquisition instead of a business combination, as the net assets of the HTI were mainly available-for-sale financial assets.

Net assets of HTI acquired:

	<i>HKD'000</i>
Available-for-sale financial assets	<u>33,000</u>

An analysis of the cash flows in respect of the above asset acquisition is as follows:

	<i>HKD'000</i>
Cash consideration	(33,000)
Cash and cash equivalents acquired	<u>-</u>
Net outflows of cash and cash equivalents in respect the acquisition	<u>(33,000)</u>

27. ACCOUNTING ESTIMATES AND JUDGEMENTS

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. The critical accounting judgements in applying the Group's accounting policies are described below.

(a) Valuation of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions including unobservable inputs. In relying on the valuation report, the directors of the Company have exercised their judgments and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the amount of gain or loss that would be recognised in profit or loss. Details of these are set out in Note 14.

28. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 11 October 2017, the Company entered into a placing agreement with placing agent involving subscription of up to 326,750,000 new shares at HKD0.224 per placing share. On the same date, the Company entered into the subscription agreement with subscribers and conditionally agrees to allot and issue 535,650,000 shares at the subscription price of HKD0.224 per subscription share. Up to the report date of this interim financial information, this placement of shares is not yet completed. Details of this placement of shares are set out in the Company's announcement dated 11 October 2017 and circular dated 13 November 2017.