PAK TAK INTERNATIONAL LIMITED
（百德國際有限公司）*

(incorporated in Bermuda with limited liability)

(Stock Code: 2668)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2013

HIGHLIGHTS

The highlights of the results for the year ended 31 March 2013:

- Turnover increased by 1% to HK$401 million from HK$397 million for the year ended 31 March 2012;
- Net profit for the year was HK$2.563 million, as compared to net profit of HK$9.639 million for the year ended 31 March 2012;
- Earnings per share for the year were HK1.33 cents, as compared to HK4.32 cents for the year ended 31 March 2012;
- The Group's net current assets at 31 March 2013 was HK$37.1 million, as compared to net current assets of HK$25.7 million at 31 March 2012, representing a current ratio of 1.75 (2012: 1.47).

FINANCIAL RESULTS

The directors (the "**Directors**") of Pak Tak International Limited (the "**Company**") are pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "**Group**") for the year ended 31 March 2013 together with the audited comparative figures for the corresponding year ended 31 March 2012 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2013

	Note	**2013** *HK$'000*	2012 *HK$'000*
Turnover	*2*	**400,863**	397,048
Cost of sales		**(359,990)**	(351,661)
Gross profit		**40,873**	45,387
Other revenue	*3*	**2,966**	1,834
Other net gain	*3*	**413**	2,843
Administrative expenses		**(28,433)**	(28,340)
Selling expenses		**(9,031)**	(7,381)
Profit from operations		**6,788**	14,343
Finance costs	*4(a)*	**(789)**	(1,413)
Profit before taxation	*4*	**5,999**	12,930
Income tax expense	*5*	**(3,436)**	(3,291)
Profit for the year		**2,563**	9,639
Attributable to:			
Equity shareholders of the Company		**3,139**	10,210
Non-controlling interests		**(576)**	(571)
		2,563	9,639
		HK cents	*HK cents*
Earnings per share			
– Basic and diluted	*6*	**1.33**	4.32

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	2013	2012
	HK$'000	*HK$'000*
Profit for the year	**2,563**	9,639
Other comprehensive income for the year:		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	**(493)**	(218)
Total comprehensive income for the year	**2,070**	9,421
Attributable to:		
Equity shareholders of the Company	**3,217**	9,813
Non-controlling interests	**(1,147)**	(392)
	2,070	9,421

CONSOLIDATED BALANCE SHEET
At 31 March 2013

	Note	**2013** **HK$'000**	2012 HK$'000
Non-current assets			
Property, plant and equipment		**144,001**	158,737
Interests in leasehold land held for own use under operating leases		**4,495**	4,579
Investment properties		**8,723**	4,029
Interest in an associate		**–**	–
Deferred tax assets		**914**	–
		158,133	167,345
Current assets			
Inventories		**38,093**	37,503
Trade receivables	*9*	**24,320**	35,370
Other receivables, prepayments and deposits		**18,245**	7,387
Amount due from an associate		**–**	–
Cash and cash equivalents		**6,171**	494
		86,829	80,754
Current liabilities			
Trade payables	*10*	**13,316**	15,080
Bills payable		**–**	69
Other payables and accrued charges		**15,448**	13,271
Amounts due to holders of non-controlling interests in a subsidiary		**3,857**	3,683
Bank borrowings		**16,717**	22,153
Obligations under finance leases		**19**	58
Tax payable		**333**	691
		49,690	55,005
Net current assets		**37,139**	25,749
Total assets less current liabilities		**195,272**	193,094
Non-current liabilities			
Obligations under finance leases		**–**	19
Deferred tax liabilities		**5,773**	5,623
Provision and other accrued charges		**15,455**	15,478
		21,228	21,120
NET ASSETS		**174,044**	171,974
CAPITAL AND RESERVES			
Share capital		**23,640**	23,640
Reserves		**153,094**	149,877
Total equity attributable to equity shareholders of the Company		**176,734**	173,517
Non-controlling interests		**(2,690)**	(1,543)
TOTAL EQUITY		**174,044**	171,974

NOTES:

1. BASIS OF PREPARATION OF THIS CONSOLIDATED FINANCIAL INFORMATION

This consolidated financial information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. This consolidated financial information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. The adoption of these amendments to HKFRSs did not result in significant changes to the Group's accounting policies applied in this consolidated financial information for the years presented.

The Group has not applied any new and revised HKFRS that is not yet effective for the current accounting period.

2. TURNOVER

Turnover represents the amounts received and receivable for goods sold and sub-contracting services provided to outside customers during the year, net of discounts, and is analysed as follows:

	2013	2012
	HK$'000	*HK$'000*
Sales of goods	**397,954**	395,472
Sub-contracting income	**2,909**	1,576
	400,863	397,048

3. OTHER REVENUE AND NET GAIN

	2013	2012
	HK$'000	*HK$'000*
Other revenue		
Discount received	**115**	126
Interest income from an associate	**141**	257
Other interest income	**107**	66
Reimbursement income	**801**	878
Rental income from investment properties	**198**	–
Sales of scrap and unused raw materials	**1,084**	133
Sundry	**520**	374
	2,966	1,834
Other net gain		
Exchange (loss)/gain, net	**(78)**	580
Gain on disposal of property, plant and equipment	**70**	109
Reversal of impairment loss on amount due from an associate	**421**	2,154
	413	2,843

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging:

	2013 *HK$'000*	2012 *HK$'000*
(a) Finance costs:		
Interest on bank loans wholly repayable within five years	**780**	992
Interest on loans from other financial institutions wholly repayable within five years	**–**	412
Finance charges on obligations under finance leases	**9**	9
	789	1,413
(b) Staff costs:		
Salaries, wages and allowances	**96,223**	92,962
Contributions to defined contribution retirement plans	**4,341**	515
Staff welfare and benefit	**317**	9,465
Provision for long service payments	**86**	197
	100,967	103,139
(c) Other items:		
Auditor's remuneration	**581**	520
Amortisation of interests in leasehold land held for own use under operating leases	**117**	116
Cost of inventories sold*	**359,990**	351,661
Depreciation on property, plant and equipment	**22,992**	26,594
Depreciation on investment properties	**127**	–
Impairment loss on trade receivables	**396**	–
Provision for inventories	**640**	–

* Cost of inventories includes HK$104,613,000 (2012: HK$107,374,000) relating to staff costs, depreciation and amortisation expenses and provision for inventories, which amount is also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.

5. INCOME TAX

(a) Taxation in the consolidated income statement represents:

	2013	2012
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**4,200**	–
Under-provision in respect of prior years	**–**	691
	4,200	691
Deferred tax		
Origination and reversal of temporary differences	**(764)**	2,600
Income tax expense	**3,436**	3,291

Provision for Hong Kong Profits Tax for 2013 is calculated at 16.5% of the estimated assessable profits for the year. No provision for Hong Kong Profits Tax was made for 2012 as the companies in the Group either had no assessable profits or had agreed tax losses brought forward in excess of the estimated assessable profits for that year.

The subsidiaries in the People's Republic of China ("Mainland China") are subject to a tax rate of 25% (2012: 25%). No provision for income tax has been made by these subsidiaries for the year as they do not have assessable profits.

(b) Reconciliation between the income tax expense and accounting profit at the applicable tax rates:

	2013	2012
	HK$'000	*HK$'000*
Profit before taxation	**5,999**	12,930
Notional tax on profit before taxation, calculated at the rates applicable to profits in jurisdictions concerned	**(970)**	2,133
Tax effect of expenses not deductible for tax purpose	**2,636**	4,703
Tax effect of income not taxable	**(2,444)**	(4,990)
Tax effect of tax losses not recognised	**4,149**	668
Under-provision of income tax in respect of prior years	**–**	691
Others	**65**	86
Actual tax expense	**3,436**	3,291

6. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$3,139,000 (2012: HK$10,210,000) and 236,402,000 (2012: 236,402,000) ordinary shares in issue during the year.

The diluted earnings per share for the years ended 31 March 2013 and 2012 was the same as the basic earnings per share as there were no potential dilutive ordinary shares in existence for both years.

7. SEGMENT REPORTING

The executive directors manage the Group's operations as a single business segment. The Group's operations are monitored and strategic decisions are made on the basis of operating results, consolidated assets and liabilities as reflected in the Group's consolidated financial statements.

(a) Geographical information

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

	2013	2012
	HK$'000	*HK$'000*
United States of America	**333,504**	333,733
Europe	**33,904**	31,397
Asia	**19,885**	18,085
Australia	**353**	2,115
Others	**13,217**	11,718
	400,863	397,048

The Group's information about its non-current assets by geographic location is as follows:

	2013	2012
	HK$'000	*HK$'000*
Mainland China	**123,799**	137,631
Hong Kong	**16,544**	12,603
Thailand	**16,876**	17,111
	157,219	167,345

(b) Major customers

Revenue from major customers, each of whom amounted to 10% or more of the total revenue, is set out below:

	2013	2012
	HK$'000	*HK$'000*
Customer A	**108,254**	86,158
Customer B	**98,221**	119,167
Customer C	**75,048**	92,420
Customer D	**53,483**	40,280

8. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 March 2013 (2012: HK$nil).

9. TRADE RECEIVABLES

	2013 HK$'000	2012 HK$'000
Trade receivables	**24,716**	35,370
Less: Allowance for doubtful debts *(Note 9(b))*	**(396)**	–
	24,320	35,370

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.

(a) Ageing analysis

The following is an ageing analysis of trade receivables (net of allowance for doubtful debts):

	2013 HK$'000	2012 HK$'000
Current	**21,714**	28,387
Less than 1 month past due	**2,002**	6,726
1 to 3 months past due	**392**	187
More than 3 months past due	**212**	70
Amounts past due	**2,606**	6,983
	24,320	35,370

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movements in the allowance for doubtful debts during the year are as follows:

	2013 HK$'000	2012 HK$'000
At 1 April	**–**	–
Impairment loss recognised	**396**	–
At 31 March	**396**	–

At 31 March 2013, trade receivables of HK$396,000 were individually determined to be impaired. The individually impaired receivables related to a customer who was in financial difficulties. The Group did not hold any collateral over these balances.

(c) Trade receivables that are not impaired

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

10. TRADE PAYABLES

The following is an ageing analysis of trade payables:

	2013	2012
	HK$'000	*HK$'000*
Due within 1 month or on demand	**9,701**	11,831
Due after 1 month but within 3 months	**2,977**	3,249
Due after 3 months but within 12 months	**638**	–
	13,316	15,080

BUSINESS REVIEW

The Directors are pleased to report that during the year, the Group has commenced preparatory work for the launch of the Group's retail business in China. The first consignment store was opened in April 2013 in Beijing. This new business represents a new development in the Group's business model.

Since its commencement of business, the Group has been a manufacturer of knitwear garments, exporting its products to retailers, primarily to the U.S. markets. As the Group has gained confidence in its products and with Chinese consumption power growing along with its economic strengths, the Group sees abundant opportunities in China for it to expand its business. During the year, the Directors made a strategic decision of entering into the Chinese retail sales markets. The Group secured an exclusive right and licence to use a Japanese clothing brand, "as know as ponpoko", and obtained the right to sell children and infant apparels, accessories and products under this brand in China. The Group further commenced to build a team to design a unique brand of high-quality children wear, conduct research into consumer preferences for children clothes, understand the retail business in China, and carry out all necessary preparatory plans for the new business. The Group then went on to open its first consignment store of "as know as ponpoko" brand in a luxurious department store in Beijing in April 2013. Some of the expenditures for the preparatory ground work has been absorbed into the operating budget of the Group for the year ended 31 March 2013. The Group, however, feels that these expenditures would bring enduring benefits to the Group's future development.

Apart from the new development in the retail business, the existing manufacturing business of the Group continues to operate with modest results. As the U.S. economy, the main market of the Group's products, continues to grow at an anemic pace with retail sales barely improving from year to year, the Group's customers tend to demand that the Group holds its pricing structure unchanged even in the face of increase in the Group's overall operating costs in China. As a measure to control its rising labor cost, the Group has acquired more computerized machinery in the current year under review.

With rising operating costs in China and poor economic performance in many developed countries, the growth in export sales from China has slowed down. The Group's strategic commitment to expand its automated production capacity, and the commencement of the retail sales business in China, are measures that are intended to help the Group to continue to develop in these challenging time.

ANALYSIS OF RESULTS

Turnover

The Group's turnover for the year ended 31 March 2013 amounted to HK$401 million, representing an increase of 1% over last year. This stable performance of the Group reflects the slow pace of economic recovery in the U.S., the major market of the Group. The Group's client base has provided it with a solid foundation for stable performance.

While focusing on high-end products that command a price premium, the Group continued to face constant rises in labour costs and operating costs in China. The result is that despite stringent cost controls exerted by management over all facets of operations, gross profit margin of the Group decreased from 11% from last year to 10%.

For the year under review, the Group's major market remained to be the U.S., accounting for approximately 83% of the Group's total turnover, whereas 13% of the Group's total turnover was attributed to the sales to Europe and Asia.

Profitability

The Group's profitability for the year was HK$2.563 million. This represents a decrease of 73% as compared to last year. The main reason for the decrease in profitability was the decrease in gross profit. Many U.S. OEM customers have placed orders with the view that the Group would not transfer to them the increase in labor and operating costs as faced by all manufacturers in southern China. Even though the Group's automated knitting machinery was able to absorb a significant portion of the rise in the cost structure of operating in China, the Group's gross margin decreased from 11% from last year to 10%.

The Group's finance costs have also reduced given the improvement in the Group's financial position and cash flow – finance cost was reduced by 44% to HK$0.8 million from HK$1.4 million for the last year.

LIQUIDITY AND CAPITAL RESOURCES

The cash and cash equivalents of the Group were approximately HK$6.2 million as at 31 March 2013, representing an increase of approximately HK$7.1 million as compared with the balance as at 31 March 2012. The Group's cash position, as well as its working capital position, improved in the year ended 31 March 2013. During the year, the Group was able to repay about HK$5.4 million in bank loans.

The Group principally satisfies its demand for operating capital with cash inflow from operation and credit facilities of over HK$114 million (2012: HK$115 million), out of which HK$17 million has been utilized as at 31 March 2013. The credit facilities were secured by corporate guarantees given by the Company. The Director believes that the Group will maintain a sound and stable financial position, with sufficient liquid capital and financial resources to satisfy its business needs.

FOREIGN EXCHANGE RISKS AND INTEREST RATE RISK MANAGEMENT

The Group adopts strict and cautious policies in managing its exchange rate risk and interest rate risk. The principal foreign currency exchange risk stems from the exchange rate movements of the Hong Kong dollars, which are pegged to the U.S. dollars, and Renminbi. The sales of the Group and purchases of raw materials are mainly denominated in U.S. dollars, while 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 year ended 31 March 2013, the rise in Renminbi against the U.S. dollars and HK dollars has slowed down, as the rise over the year was only 1.2%. The slower rise has reduced the pressure on the Group's profitability. Nevertheless, recognizing that there is continuing call for the Renminbi to go up further, management will consider hedging significant foreign currency exposure should the need arise.

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. As the Group has reduced its debt exposure by about 25%, its exposure to interest rate risk has also diminished considerably. As the Group operates at the debt to equity ratio of 10%, the interest rate exposure is not significant.

DIVIDENDS

The Directors have resolved not to recommend the payment of any dividend for the year ended 31 March 2013 (2012: HK$nil).

CHARGE ON GROUP ASSETS

At 31 March 2013, certain of the Group's general banking facilities were secured by pledge of the Group's machinery with a total carrying amount of HK$nil (2012: HK$13 million) and the Group's leasehold properties with a total carrying amount of HK$64 million (2012: HK$66 million).

FINANCIAL GUARANTEES ISSUED

At 31 March 2013, the Company had issued corporate guarantees amounting to HK$117 million (2012: HK$119 million) to banks 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.

At 31 March 2013, the Directors considered it was not probable that a claim would be made against the Company under any of the guarantees. The maximum liability of the Company at the balance sheet date under the guarantees issued was the facilities drawn down by the subsidiaries of HK$17 million (2012: HK$22 million).

CAPITAL EXPENDITURES AND COMMITMENTS

During the year, the Group invested approximately HK$7.4 million (2012: HK$17 million) in property, plant and equipment, of which 72% (2012: 76%) was used for purchase of machinery.

As at 31 March 2013, the Group had capital commitments of approximately HK$6.4 million (2012: HK$4.2 million) in property, plant and equipment.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2013, the Group had a total of approximately 1,996 employees. The total staff cost of the Group amounted to approximately HK$101 million during the year, representing 25% of the Group's turnover. Salaries, wages and allowances amounted to approximately HK$96 million, representing an increase of 3.5% as compared to previous year. 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 in order to ensure that the packages are competitive in the market. The Group provides relevant training to its employees in accordance with the skills requirements of difference positions.

FUTURE PROSPECTS

Over the last few years, the Group has faced the dual challenges of weak economic recovery of the Group's major markets in the U.S. and Europe and relentless cost pressure from producing in China. The Director's believe that its strategic decision to expand into domestic sales business is necessarily as an inherent hedge against stagnant expert sales prices but continuing growing cost structure. From the Group's research, the children and infant retail business is a growth business in China. By leveraging from the strength of the Group's production capability with the strong image of the brand of "as know as ponpoko", the Directors believe that the Group is well prepared and well suited for a strong presence in the Chinese retail markets.

Looking into the future, the Group believes that challenges ahead will present many development opportunities. The garment and textile industry will face the pressure arising from the continued rise in labour costs in China. The Group's management recognizes that the pressure on the Group to monitor and control its production and costs continues unabated.

In the meantime, the trend towards a consumption-driven economy in China is clear. With the positive view in the future prospect of the children and infant clothing retail sector in China, the Group's decision to launch this new brand of "as know as ponpoko" represents an important and exciting new direction. The Group has already formulated a plan to establish a retail network with an appropriate size for future business development. The first retail consignment store was established in Beijing in April 2013. The Group will continue to expand into the retail business.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 13 August 2013 (Tuesday) to 20 August 2013 (Tuesday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the forthcoming annual general meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 12 August 2013 (Monday).

AUDIT COMMITTEE

The Audit Committee was formed on 9 November 2001 to review and supervise the financial reporting process and internal control of the Company. The Audit Committee comprises of all independent non-executive Directors.

The Audit Committee has reviewed with management and auditors of the Company the accounting principles and practices adopted by the Group and discussed the audited financial statements for the year ended 31 March 2013.

REMUNERATION COMMITTEE

The Remuneration Committee was formed on 23 March 2005 to review and determine the remuneration packages of all Directors and senior management. The Remuneration Committee comprises of all independent non-executive Directors, the Chairman of the Board and one executive Director. During the year, the remuneration committee reviewed the Directors' and senior management's salaries and bonuses and approved their salary and bonus level.

NOMINATION COMMITTEE

The Nomination Committee was formed on 23 March 2005 to make recommendations for all appointment and re-appointment of Directors. The Nomination Committee comprises of all independent non-executive Directors, the Chairman of the Board and one executive Director.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee was formed on 9 January 2012 to perform the corporate governance duties as set out in the Listing Rules. The Corporate Governance Committee comprises of all independent non-executive Directors, the Chairman of the Board and one executive Director.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the 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 have complied with the Model Code in the year ended 31 March 2013.

CORPORATE GOVERNANCE

The Directors are pleased to report that throughout the year ended 31 March 2013, the Company was in compliance with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the "**Code**"). In particular, the Company has ensured that:

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

are in compliance with the Code.

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

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

The Company's annual report containing all information required by the Listing Rules will be despatched to shareholders and published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.paktak.com in due course.

On behalf of the Board
Victor Robert Lew
Chairman

Hong Kong, 26 June, 2013

As at the date of this announcement, Mr. Cheng Kwai Chun, John, Mr. Lin Chick Kwan and Mr. Lin Wing Chau are Executive Directors; Mr. Victor Robert Lew is the Non-executive Director and the Chairman; Ms. Ko Hay Yin, Karen, Mr. Chow Chan Lum, Ms. Ho Man Yee, Esther and Mr. Yuen Chi King, Wyman are Independent Non-executive Directors.

* *for identification purposes only*