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PAK TAK INTERNATIONAL LIMITED

（百德國際有限公司）*

(incorporated in Bermuda with limited liability)

(Stock Code: 2668)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

UNAUDITED INTERIM RESULTS

The board of directors (the "Directors") of Pak Tak International Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30 September 2013 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2013

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2013

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

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2013

	Note	**At 30 September 2013 HK$'000 (unaudited)**	At 31 March 2013 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*11*	**142,489**	144,001
Interests in leasehold land held for own use under operating leases		**4,475**	4,495
Investment properties		**8,358**	8,723
Interest in an associate		**–**	–
Deferred tax assets		**929**	914
		156,251	158,133
Current assets			
Inventories		**64,294**	38,093
Trade receivables	*12*	**96,417**	24,320
Other receivables, prepayments and deposits		**7,603**	18,245
Cash and cash equivalents		**55,015**	6,171
		223,329	86,829
Current liabilities			
Trade payables	*13*	**39,856**	13,316
Bills payable		**1,980**	–
Other payables and accrued charges		**20,852**	15,448
Amounts due to holders of non-controlling interests in a subsidiary		**3,582**	3,857
Bank borrowings		**65,005**	16,717
Obligations under finance leases		**–**	19
Tax payable		**142**	333
		131,417	49,690
Net current assets		**91,912**	37,139
Total assets less current liabilities		**248,163**	195,272
Non-current liabilities			
Deferred tax liabilities		**7,074**	5,773
Provision and other accrued charges		**15,455**	15,455
		22,529	21,228
NET ASSETS		**225,634**	174,044
Capital and reserves			
Share capital		**28,300**	23,640
Reserves		**199,354**	153,094
Total equity attributable to equity shareholders of the Company		**227,654**	176,734
Non-controlling interests		**(2,020)**	(2,690)
TOTAL EQUITY		**225,634**	174,044

Notes:

1. BASIS OF PRESENTATION

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

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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.

2. CHANGES IN ACCOUNTING POLICIES

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

– Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

– HKFRS 10, Consolidated financial statements

– HKFRS 12, Disclosure of interests in other entities

– HKFRS 13, Fair value measurement

– HKAS 27 (2011), Separate financial statements

– HKAS 28 (2011), Investments in associates and joint ventures

– Annual Improvements to HKFRSs 2009 – 2011 Cycle

– Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

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

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

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

3. SEGMENT REPORTING

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

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

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

4. SEASONALITY OF OPERATIONS

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

5. OTHER REVENUE AND NET GAIN

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

6. PROFIT FROM OPERATIONS

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

7. FINANCE COSTS

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

8. INCOME TAX

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

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

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

9. EARNINGS PER SHARE

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

10. DIVIDEND

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

11. PROPERTY, PLANT AND EQUIPMENT

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

12. TRADE RECEIVABLES

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

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

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

13. TRADE PAYABLES

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

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

14. PLEDGE OF ASSETS

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

15. SHARE CAPITAL

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

16. COMMITMENTS

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

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

17. 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	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Salaries, allowances and other benefits	**2,334**	2,062
Contributions to defined contributions retirement plan	**39**	36
	2,373	2,098

(b) Financing arrangements

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

(c) Other related party transactions

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

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

REVIEW OF OPERATIONS

Turnover

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

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

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

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

Profitability

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

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

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

Liquidity and Capital Resources

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

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

Foreign Exchange Risks and Interest Rate Risk Management

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

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

Interim Dividend

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

Pledge of Assets

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

Financial Guarantees Issued

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

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

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

Capital Expenditures and Commitments

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

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

Employees and Remuneration Policies

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

FUTURE PROSPECTS

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

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2013.

CORPORATE GOVERNANCE REPORT

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

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

are in compliance with the Code.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

COMMITTEES

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

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

PUBLICATION OF INTERIM RESULTS

This announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.paktak.com. The Group's interim report containing all the information required by the Listing Rules will be dispatched to shareholders and published on the above websites in due course.

As at the date of this announcement, the Board comprises Mr. Cheng Kwai Chun, John, Mr. Law Fei Shing, Mr. Lin Chick Kwan, Mr. Lin Wing Chau, who are executive Directors, Mr. Victor Robert Lew who is the non-executive Director and the Chairman and Ms. Ko Hay Yin, Karen, Mr. Chow Chan Lum, Ms. Ho Man Yee, Esther and Mr. Yuen Chi King, Wyman who are independent non-executive Directors.

On behalf of the Board
Pak Tak International Limited
Law Fei Shing
Executive Director

Hong Kong, 29 November 2013

* *For identification purposes only*