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 2014

HIGHLIGHTS

The highlights of the results for the year ended 31 March 2014:

- Turnover increased by 7% to HK$428 million from HK$401 million for the year ended 31 March 2013;
- Net loss for the year was HK$28.32 million, as compared to net profit of HK$2.56 million for the year ended 31 March 2013;
- Loss per share for the year were HK2.10 cents, as compared to earnings per share of HK0.27 cents (restated) for the year ended 31 March 2013;
- The Group's net current assets at 31 March 2014 was HK$57.1 million, as compared to net current assets of HK$37.1 million at 31 March 2013, representing a current ratio of 1.95 (2013: 1.75).

* *for identification purpose only*

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 2014 together with the audited comparative figures for the corresponding year ended 31 March 2013 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2014

	Note	2014 HKD'000	2013 HKD'000
Turnover	*2*	**427,870**	400,863
Cost of sales		**(411,174)**	(359,990)
Gross profit		**16,696**	40,873
Other revenue	*3*	**3,395**	2,966
Other net (loss)/gain	*3*	**(1,656)**	413
Administrative expenses		**(30,592)**	(28,433)
Selling expenses		**(16,770)**	(9,031)
(Loss)/profit from operations		**(28,927)**	6,788
Finance costs	*4(a)*	**(859)**	(789)
(Loss)/profit before taxation	*4*	**(29,786)**	5,999
Income tax credit/(expense)	*5*	**1,467**	(3,436)
(Loss)/profit for the year		**(28,319)**	2,563
Attributable to:			
Equity shareholders of the Company		**(27,795)**	3,139
Non-controlling interests		**(524)**	(576)
		(28,319)	2,563
		HK cents	*HK cents* (Restated)
(Loss)/earnings per share			
– Basic and diluted	*6*	**(2.10)**	0.27

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	2014	2013
	HKD'000	*HKD'000*
(Loss)/profit for the year	**(28,319)**	2,563
Other comprehensive loss for the year:		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	**(2,162)**	(493)
Total comprehensive (loss)/income for the year	**(30,481)**	2,070
Attributable to:		
Equity shareholders of the Company	**(31,289)**	3,217
Non-controlling interests	**808**	(1,147)
	(30,481)	2,070

CONSOLIDATED BALANCE SHEET

At 31 March 2014

	Note	2014 HKD'000	2013 HKD'000
Non-current assets			
Property, plant and equipment		**132,877**	144,001
Interests in leasehold land held for own use under operating leases		**4,375**	4,495
Investment properties		**8,167**	8,723
Interest in an associate		**–**	–
Deferred tax assets		**3,225**	914
		148,644	158,133
Current assets			
Inventories		**45,399**	38,093
Trade receivables	*9*	**16,482**	24,320
Other receivables, prepayments and deposits		**6,586**	18,245
Amount due from an associate		**–**	–
Tax recoverable		**956**	–
Cash and cash equivalents		**47,782**	6,171
		117,205	86,829
Current liabilities			
Trade payables	*10*	**14,315**	13,316
Other payables and accrued charges		**25,460**	15,448
Amounts due to holders of non-controlling interests in a subsidiary		**3,466**	3,857
Bank loans		**16,879**	16,717
Obligations under finance leases		**–**	19
Tax payable		**–**	333
		60,120	49,690
Net current assets		**57,085**	37,139
Total assets less current liabilities		**205,729**	195,272
Non-current liabilities			
Deferred tax liabilities		**6,636**	5,773
Provision and other accrued charges		**15,549**	15,455
		22,185	21,228
NET ASSETS		**183,544**	174,044
CAPITAL AND RESERVES			
Share capital		**28,300**	23,640
Reserves		**157,126**	153,094
Total equity attributable to equity shareholders of the Company		**185,426**	176,734
Non-controlling interests		**(1,882)**	(2,690)
TOTAL EQUITY		**183,544**	174,044

NOTES:

1. BASIS OF PREPARATION OF THIS CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have 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. The consolidated financial statements 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 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 consolidated 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 separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income in these consolidated financial statements has been modified accordingly.

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

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

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:

	2014	2013
	HKD'000	*HKD'000*
Sales of goods	**427,817**	397,954
Sub-contracting income	**53**	2,909
	427,870	400,863

3. OTHER REVENUE AND NET (LOSS)/GAIN

	2014	2013
	HKD'000	*HKD'000*
Other revenue		
Discount received	**126**	115
Interest income from an associate	**46**	141
Other interest income	**147**	107
Reimbursement income	**1,147**	801
Rental income from investment properties	**216**	198
Sales of scrap and unused raw materials	**334**	1,084
Sundry	**1,379**	520
	3,395	2,966

	2014	2013
	HKD'000	*HKD'000*
Other net (loss)/gain		
Exchange loss, net	**(1,616)**	(78)
Gain on disposal of property, plant and equipment	**2**	70
(Impairment loss)/reversal of impairment loss on amount due from an associate	**(42)**	421
	(1,656)	413

4. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived after charging:

		2014	2013
		HKD'000	*HKD'000*
(a)	**Finance costs:**		
	Interest on bank loans wholly repayable within five years	**856**	780
	Finance charges on obligations under finance leases	**3**	9
		859	789
(b)	**Staff costs:**		
	Salaries, wages and allowances	**113,633**	96,223
	Contributions to defined contribution retirement plans	**9,548**	4,341
	Staff welfare and benefits	**3,068**	317
	Provision for long service payments	**94**	86
		126,343	100,967
(c)	**Other items:**		
	Auditors' remuneration	**737**	581
	Amortisation of interests in leasehold land held for own use under operating leases	**118**	117
	Cost of inventories sold *	**411,174**	359,990
	Depreciation on property, plant and equipment	**20,375**	22,992
	Depreciation on investment properties	**127**	127
	Impairment loss on trade receivables	**–**	396
	Provision for inventories	**3,110**	640

* Cost of inventories includes HKD127,370,000 (2013: HKD104,613,000) 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:

	2014	2013
	HKD'000	*HKD'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	4,200
Deferred tax		
Origination and reversal of temporary differences	**(1,467)**	(764)
Income tax (credit)/expense	**(1,467)**	3,436

No provision for Hong Kong Profits Tax has been made for 2014 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.

Provision for Hong Kong Profits Tax for 2013 was calculated at 16.5% of the estimated assessable profits for the year.

The subsidiaries in Mainland China are subject to a tax rate of 25% (2013: 25%). No provision for income tax has been made by these subsidiaries for the year as they either do not have assessable profits or have agreed tax losses brought forward in excess of the estimated assessable profits.

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

	2014	2013
	HKD'000	*HKD'000*
(Loss)/profit before taxation	**(29,786)**	5,999
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to (loss)/profit in jurisdictions concerned	**(5,221)**	(970)
Tax effect of expenses not deductible for tax purpose	**108**	2,636
Tax effect of income not taxable	**(79)**	(2,444)
Tax effect of tax losses not recognised	**2,773**	4,149
Others	**952**	65
Actual tax (credit)/expense	**(1,467)**	3,436

6. **(LOSS)/EARNINGS PER SHARE**

The calculation of the basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of HKD27,795,000 (2013: profit of HKD3,139,000) and weighted average number of 1,324,995,644 (2013: 1,182,010,000) ordinary shares in issue during the year, adjusted retrospectively for the sub-division of share capital (one into five) with effect on 7 April 2014.

The diluted (loss)/earnings per share for the years ended 31 March 2014 and 2013 was same as the basic (loss)/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 consolidated financial statements.

(a) **Geographical information**

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

	2014	2013
	HKD'000	*HKD'000*
United States of America ("USA")	**350,639**	333,504
Europe	**33,302**	33,904
Asia	**28,404**	19,885
Australia	**39**	353
Others	**15,486**	13,217
	427,870	400,863

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

	2014	2013
	HKD'000	*HKD'000*
Mainland China	**115,353**	123,799
Hong Kong	**15,842**	16,544
Thailand	**14,224**	16,876
	145,419	157,219

(b) Major customers

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

	2014	2013
	HKD'000	*HKD'000*
Customer A	**133,802**	108,254
Customer B	**86,377**	75,048
Customer C	**64,267**	53,483
Customer D	**61,413**	98,221

8. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 March 2014 (2013: HKDnil).

9. TRADE RECEIVABLES

	2014	2013
	HKD'000	*HKD'000*
Trade receivables	**16,878**	24,716
Less: Allowance for doubtful debts *(note 9(b))*	**(396)**	(396)
	16,482	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.

(a) Ageing analysis

The ageing analysis of trade receivables (net of allowance for doubtful debts) as of the balance sheet date, based on invoice date, is as follows:

	2014	2013
	HKD'000	*HKD'000*
Within 1 month	**8,804**	18,177
1 to 3 months	**6,772**	5,936
3 to 12 months	**906**	207
	16,482	24,320

(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:

	2014	2013
	HKD'000	*HKD'000*
At 1 April	**396**	–
Impairment loss recognised	**–**	396
At 31 March	**396**	396

At 31 March 2014, trade receivables of HKD396,000 (2013: HKD396,000) were individually determined to be impaired. The individually impaired receivables related to a customer who was in financial difficulties.

(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 ageing analysis of trade payables as of the balance sheet date, based on invoice date, is as follows:

	2014	2013
	HKD'000	*HKD'000*
Within 1 month	**7,654**	9,701
1 to 3 months	**5,951**	2,977
3 to 12 months	**679**	638
Over 12 months	**31**	–
	14,315	13,316

11. EVENTS AFTER THE BALANCE SHEET DATE

On 18 June 2014, the Company entered into an agreement with Mr. Cheng Kwai Chun, John ("Mr. Cheng"), a director and a substantial shareholder of the Company, for the disposal of the Company's entire equity interest in a wholly-owned subsidiary, Addlink Limited, to Mr. Cheng at a cash consideration of approximately HKD109.3 million (the "Proposed Disposal"). The cash consideration will be adjusted to reflect the valuation of all the leasehold and freehold land and buildings and investment properties in Hong Kong, Mainland China and Thailand (the "Immovable Properties") of Addlink Limited and its subsidiaries as at 31 March 2014.

The completion of the Proposed Disposal will be subject to a number of conditions which include, inter alia, passing by the shareholders of all necessary resolutions in a special general meeting of the Company approving the agreement for the Proposed Disposal and the completion of a corporate reorganisation. The corporate reorganisation is to be undertaken to the intent that the Company together with its then subsidiaries will, upon the completion of the Proposed Disposal, continue to engage in the manufacturing and trading of knit-to-shape garments, and the Immovable Properties and the business of retailing of children's wear will continue to be retained by Addlink Limited and its then subsidiaries.

Based on the initial consideration of HKD109.3 million and with reference to the of the carrying amount of the Group's interest in Addlink Limited and its subsidiaries as at 31 March 2014, the estimated gross gain (before deducting professional fees and other expenses incidental to the Proposed Disposal) arising from the Proposed Disposal is approximately HKD11 million. The final gain or loss arising from the Proposed Disposal may be affected by the valuation of the Immovable Properties, the carrying amount of the Group's interest in Addlink Limited and its then subsidiaries at the date of completion of the Proposed Disposal and the amounts of professional fees and other expenses incidental to the Proposed Disposal.

Further details of the Proposed Disposal and the corporate reorganisation are set out in the Company's announcement dated 18 June 2014.

BUSINESS REVIEW

The Directors are pleased to report that for the year ended 31 March 2014, the Group recorded a turnover of approximately HK$428 million which represented an increase of 7% over the previous year. Unfortunately, the strong sales also led to an increased pressure on the Group's production capacity. During the year under review, the Group found itself relying extensively on outside sub-contractors to complete its orders. The effect is that the increases in sub-contracting and air-freight charges led to a significant increase in the Group's production cost and a drop in gross profit margin. While the Group was able to maintain its customer base and continue to generate strong sales performance, the stress on its production capacity resulted in a year of significant loss.

The Group commenced the business (the "Retail Business") of retail selling of children wear products under its licensed brand name of "*as know as ponpoko*" in April 2013 when it opened its first consignment store in Beijing. During the year, the Group has four retail consignment stores opening in the PRC which one of them was closed down in early April 2014. For the year ended 31 March 2014, this Retail Business recorded a turnover of HK$1.6 million and a loss of HK$5.0 million.

On 18 June 2014, the Company entered into a disposal agreement with Mr. Cheng Kwai Chun, John, an executive director of the Company, to dispose of the Group's entire interest in Addlink Limited which is a wholly-owned subsidiary of the Company (the "Proposed Disposal"). The Group considers the Proposed Disposal to be beneficial to the Group as it presents a good opportunity to realise the value of the immovable properties owned by and/or attributable to the subsidiary of Addlink Limited and to dispose of the loss making subsidiaries and investments, such as the Retail Business and the investment in Thailand. The Proposed Disposal is expected to improve the financial conditions of the Group by providing necessary financial resources for the remaining business in the Group, strengthen their operations, improve working capital position and liquidity of the Group, and enhance the Group's capability to capture future business and investment opportunities (if any). Details of the Proposed Disposal are set out in the Company's announcement dated 18 June 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS OF RESULTS

Turnover

The Group's turnover for the year ended 31 March 2014 amounted to HK$428 million. This represented an increase of 7% over the turnover of HK$401 million in the same period of last year. This steady growth can be attributed to the economic recovery of the USA, which is the major market of the Group. The Group's client base has provided it with a solid foundation for stable performance.

The gross profit margin decreased significantly by 59% from HK$40.9 million to HK$16.7 million for the year ended 31 March 2014. The drop was caused primarily by the increase in sub-contractor wages by 31.3% from HK$68.8 million to HK$90.3 million, and air freight charges by 190% from HK$1 million to HK$2.9 million. The increase in both expenses was resulted directly from the pressure on the Group's production capacity which was caused by the delay of sales orders and shortening of order lead-time by customers. As the Group was operating at full capacity during peak seasons, changes to customer orders during the peak period would lead to extraordinary expenses being incurred in order to make sure that all customer orders and commitments are fulfilled.

For the year under review, the Group's major market remained to be the USA, which accounted for approximately 82% of the Group's total turnover, whereas 14% of the Group's total turnover was attributed to the sales to Europe and Asia.

Profitability

For the year ended 31 March 2014, the Group recorded a net loss of HK$28.32 million as compared to a net profit of HK$2.56 million for the year ended 31 March 2013. The loss was resulted from the increase in costs of production. Apart from the decrease in gross profit, the Group's selling expenses further increased by HK$7.8 million, which created a net loss for the Group.

The Group's finance costs remained stable as it went from HK$0.79 million to HK$0.86 million for the year ended 31 March 2014.

For the year ended 31 March 2014, loss per share was HK2.10 cents (2013: earnings per share HK0.27 cents) (restated).

LIQUIDITY AND CAPITAL RESOURCES

A placing agreement dated 8 August 2013 was entered between the Company and Orient Securities Limited as placing agent, pursuant to which the Company has conditionally agreed to place, through the placing agent on a best effort basis, up to 46,598,000 placing shares to not less than six placees at a price of HK$0.88 per placing Share. As a result of the placing, the Company issued 46,598,000 new ordinary shares at HK$0.88 per share on 19 August 2013. Net proceeds from the placement was approximately HK$39.98 million. The Board considers that the placing represented an opportunity for the Company to raise additional funds while broadening the shareholder and capital base of the Company. The cash and cash equivalents of the Group were approximately HK$47.8 million as at 31 March 2014, representing an increase of approximately HK$41.6 million as compared with the balance as at 31 March 2013. The Group's cash position, as well as its working capital position, improved in the year ended 31 March 2014. During the year, the Group's bank loans increased by approximately HK$0.2 million.

The Group principally satisfies its demand for operating capital with cash inflow from operation and credit facilities of over HK$64 million (2013: HK$114 million), out of which HK$35.5 million (2013: HK$15 million) were secured by legal charge on certain assets of a Director and HK$17 million has been utilized as at 31 March 2014. The credit facilities were 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 exchange risk stems from the exchange rate movements of the Hong Kong dollars, which are pegged to the United States dollars, and Renminbi. The sales of the Group and purchases of raw materials are mainly denominated in United States 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 2014, the exchange rate of Renminbi against the United States dollars and Hong Kong dollars dropped slightly. The stable Renminbi 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 0.9%, its exposure to interest rate risk has also diminished considerably. As the Group operates at the debt to equity ratio of 9%, 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 2014 (2013: HK$nil).

CHARGE ON GROUP ASSETS

At 31 March 2014, certain of the Group's general banking facilities were secured by pledge of the Group's leasehold properties with a total carrying amount of HK$4 million (2013: HK$5 million).

FINANCIAL GUARANTEES ISSUED

At 31 March 2014, the Company had issued corporate guarantees amounting to HK$44 million (2013: HK$117 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 2014, the Directors considered it was not probable that a claim would be made against the Company under any of the guarantees. The maximum liability of the Company at the balance sheet date under the guarantees issued was the facilities drawn down by the subsidiaries of HK$17 million (2013: HK$17 million).

CAPITAL EXPENDITURES AND COMMITMENTS

During the year, the Group invested approximately HK$10.4 million (2013: HK$7.4 million) in property, plant and equipment, of which 81% (2013: 72%) was used for purchase of machinery.

As at 31 March 2014, the Group had capital commitments of approximately HK$0.04 million (2013: HK$6.4 million) in property, plant and equipment.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2014, the Group had a total of approximately 1,847 employees. The total staff cost of the Group amounted to approximately HK$126 million during the year, representing 29.5% of the Group's turnover. Salaries, wages and allowances amounted to approximately HK$114 million, representing an increase of 18.1% 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

Looking into the future, the Group believes that the Proposed Disposal of all the issued shares in Addlink Limited is in the interest of the Group and its shareholders as a whole. After completion of the Proposed Disposal, the remaining group will increase its competitive force and will continue to engage in the manufacturing and trading of knit-to-shape garment products as an integrated business so that the remaining group will continue to be viable and can be sustained in the longer term.

The garment and textile industry is expected to face an increasing pressure arising from the continued rise in labour costs in China. To maintain our competitive edge, we will seek stringent control on costs. At the same time, the management will continue to improve risk management and remain highly alert to any market changes. The Group continually adopts the latest information technology for enhancing efficiency and effectiveness in its internal management and external communication with customers.

The management is optimistic of the Group's future prospects as the Group has a solid foundation and focused planning in place. With the sufficient cash generated from the placing in August 2013, the Group will improve its working capital position and liquidity so as to strengthen the financial position and enhance its capability to capture future business and investment opportunities with higher return which requires substantial investments in the future.

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 25th August 2014 (Monday) to 28th August 2014 (Thursday), 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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 22nd August 2014 (Friday).

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 2014.

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 2014.

CORPORATE GOVERNANCE

The Directors are pleased to report that throughout the year ended 31 March 2014, 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.

Following the resignation of Mr. Chow Chan Lum and Ms. Ko Hay Yin, Karen on 1 April 2014, and before the appointment of Mr. Lum Pak Sum as an independent non-executive director on 16 June 2014, the Company had only two independent non-executive Directors and two audit committee members, and as a result the composition of the Board and of the Audit Committee fell below the minimum number required under rule 3.10(1), rule 3.10A and rule 3.21 of the Listing Rules respectively.

In this regard, on 16 June 2014, Mr. Lum Pak Sum has been appointed as an independent non-executive Director, a chairman of each of the Audit Committee and Remuneration Committee and a member of each of the Nomination Committee and Corporate Governance Committee to fill the vacancy of an independent non-executive Director and a member of the audit committee of the Company with a view to fulfill the minimum required number of independent non-executive directors and audit committee members under rule 3.10(1), rule 3.10A and rule 3.21 of the Listing Rules respectively and in compliance with the relevant Listing Rules requirements.

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
Law Fei Shing
Executive Director

Hong Kong, 30 June, 2014

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