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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 2016

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 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2016

		Six months ended 30 September	
	Note	2016 HKD'000 (unaudited)	2015 HKD'000 (unaudited)
Turnover	3	152,781	212,240
Cost of sales		(132,834)	(187,028)
Gross profit		19,947	25,212
Other revenue	5	1,327	1,832
Other net loss	5	(282)	(690)
Administrative expenses		(20,696)	(16,544)
Selling expenses		(3,186)	(6,124)
(Loss)/profit from operations	6	(2,890)	3,686
Finance costs	7	(331)	(306)
(Loss)/profit before taxation		(3,221)	3,380
Income tax credit/(expense)	8	1,329	(76)
(Loss)/profit for the period attributable to equity shareholders of the Company		(1,892)	3,304

* for identification purpose only

		Six months ended	
		30 September	
		2016	2015
	<i>Note</i>	<i>HKD'000</i>	<i>HKD'000</i>
		(unaudited)	(unaudited)
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/earnings per share	9		
– Basic and diluted		(0.13)	0.23

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

		Six months ended 30 September	
		2016	2015
	Note	HKD'000	HKD'000
		(unaudited)	(unaudited)
(Loss)/profit for the period		(1,892)	3,304
Other comprehensive loss for the period:			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of an overseas subsidiary, net of nil tax		<u>(1,735)</u>	<u>(497)</u>
Total comprehensive (loss)/income for the period attributable to equity shareholders of the Company		<u>(3,627)</u>	<u>2,807</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

		At 30 September 2016 <i>HKD'000</i> (unaudited)	At 31 March 2016 <i>HKD'000</i> (audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	11	21,216	24,732
Deferred tax assets		7,191	6,030
		<u>28,407</u>	<u>30,762</u>
Current assets			
Inventories		24,964	28,984
Trade receivables	12	59,185	18,508
Loan receivable	13	45,000	–
Other receivables, prepayments and deposits		5,479	2,745
Cash and cash equivalents		77,296	154,273
		<u>211,924</u>	<u>204,510</u>
Current liabilities			
Trade payables	14	18,935	8,476
Other payables and accrued charges		30,744	44,749
Bank loans and overdraft		39,880	27,648
		<u>89,559</u>	<u>80,873</u>
Net current assets		<u>122,365</u>	<u>123,637</u>
Total assets less current liabilities		<u>150,772</u>	<u>154,399</u>
Non-current liabilities			
Provision and other accrued charges		15,068	15,068
		<u>15,068</u>	<u>15,068</u>
NET ASSETS		<u>135,704</u>	<u>139,331</u>
CAPITAL AND RESERVES	15		
Share capital		28,300	28,300
Reserves		107,404	111,031
TOTAL EQUITY		<u>135,704</u>	<u>139,331</u>

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”). This condensed interim financial information should be read in conjunction with the Company’s annual consolidated financial statements for the year ended 31 March 2016 which has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of these changes in accounting policies are set out below 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 the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company.

- Annual improvements to HKFRSs 2012 – 2014 Cycle
- Amendments to HKAS 1, Disclosure Initiative
- Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation

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.

3. 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.

Due to the fact that the Group has diversified its sources of revenue and developed a new business line in money lending during the current interim period, the executive directors therefore focus on the review of the performance and business objectives of each group company and re-presented prior period segment information accordingly. Specifically, the Group has identified two reportable segments under HKFRS 8 which are aggregation of those operating segments based on types of goods or services delivered or provided to customers on a geographic perspective, as follows:

- (i) Manufacture of and trading in knit-to-shape garments;
- (ii) Money lending

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

Six months ended 30 September 2016

	Manufacture of and trading in knit-to-shape garments HKD’000 (unaudited)	Money lending HKD’000 (unaudited)	Total HKD’000 (unaudited)
Revenue			
Reportable segment revenue and revenue from external customers	<u>152,475</u>	<u>306</u>	<u>152,781</u>
Results			
Reportable segment results	<u>4,831</u>	<u>(1,907)</u>	2,924
Unallocated corporate other revenue			6
Unallocated corporate expenses			<u>(6,151)</u>
Loss before taxation			(3,221)
Income tax credit			<u>1,329</u>
Loss for the period			<u><u>(1,892)</u></u>

Six months ended 30 September 2015

	Manufacture of and trading in knit-to-shape garments <i>HKD'000</i> (unaudited)	Money lending <i>HKD'000</i> (unaudited)	Total <i>HKD'000</i> (unaudited)
Revenue			
Reportable segment revenue and revenue from external customers	212,240	–	212,240
Results			
Reportable segment results	7,789	–	7,789
Unallocated corporate other revenue			1
Unallocated corporate expenses			(4,410)
Profit before taxation			3,380
Income tax expense			(76)
Profit for the period			3,304

The following is an analysis of the Group's assets and liabilities by reportable segments:

As at 30 September 2016

	Manufacture of and trading in knit-to-shape garments <i>HKD'000</i> (unaudited)	Money lending <i>HKD'000</i> (unaudited)	Total <i>HKD'000</i> (unaudited)
Assets			
Segment assets	123,148	46,859	170,007
Unallocated corporate assets			70,324
			240,331
Liabilities			
Segment liabilities	(104,201)	(18)	(104,219)
Unallocated corporate liabilities			(408)
			(104,627)

As at 31 March 2016

	Manufacture of and trading in knit-to-shape garments <i>HKD'000</i> (audited)	Money lending <i>HKD'000</i> (audited)	Total <i>HKD'000</i> (audited)
Assets			
Segment assets	95,220	–	95,220
Unallocated corporate assets			<u>140,052</u>
			<u>235,272</u>
Liabilities			
Segment liabilities	(80,686)	–	(80,686)
Unallocated corporate liabilities			<u>(15,255)</u>
			<u>(95,941)</u>

The Group's turnover for the six months ended 30 September 2016 by geographical market is as follows:

	Six months ended 30 September	
	2016	2015
	<i>HKD'000</i>	<i>HKD'000</i>
	(unaudited)	(unaudited)
United States of America ("USA")	125,032	160,873
Europe	9,395	19,877
Asia	15,668	18,589
Others	2,686	12,901
	<u>152,781</u>	<u>212,240</u>

4. 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.

5. OTHER REVENUE AND OTHER NET LOSS

	Six months ended 30 September	
	2016	2015
	<i>HKD'000</i>	<i>HKD'000</i>
	(unaudited)	(unaudited)
Other revenue		
Discount received	209	340
Other interest income	22	55
Reimbursement income	387	406
Sales of scrap and unused raw materials	74	107
Sundry	635	924
	<u>1,327</u>	<u>1,832</u>
Other net loss		
Exchange loss, net	(295)	(770)
Gain on disposal of property, plant and equipment	13	80
	<u>(282)</u>	<u>(690)</u>

6. (LOSS)/PROFIT FROM OPERATIONS

	Six months ended 30 September	
	2016	2015
	<i>HKD'000</i>	<i>HKD'000</i>
	(unaudited)	(unaudited)
(Loss)/profit from operations has been arrived at after charging:		
Depreciation on property, plant and equipment	<u>4,254</u>	<u>4,863</u>

7. FINANCE COSTS

The finance costs represent interests on bank loans and overdraft.

8. INCOME TAX

	Six months ended 30 September	
	2016	2015
	<i>HKD'000</i>	<i>HKD'000</i>
	(unaudited)	(unaudited)
Deferred tax		
Origination and reversal of temporary differences	<u>(1,329)</u>	<u>76</u>
Income tax (credit)/expense	<u><u>(1,329)</u></u>	<u><u>76</u></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 subsidiary 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 subsidiary for the period (six months ended 30 September 2015: HKDNil) as it has agreed tax losses brought forward in excess of the estimated assessable profits.

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of HKD1,892,000 for the period (six months ended 30 September 2015: profit of HKD3,304,000) and the weighted average number of 1,415,000,000 (six months ended 30 September 2015: 1,415,000,000) ordinary shares in issue during the interim period.

The diluted (loss)/earnings per share for the six months ended 30 September 2016 and 2015 was same as the basic (loss)/earnings per share. The computation of diluted (loss)/earnings per share does not assume the exercise of the Company's warrants because the exercise price of those warrants was higher than the average market price for shares for the six months ended 30 September 2016 and 2015.

10. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: HKDNil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, the Group acquired property, plant and equipment at a cost of HKD1,400,000 (six months ended 30 September 2015: HKD1,539,000).

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 2016 <i>HKD'000</i> (unaudited)	At 31 March 2016 <i>HKD'000</i> (audited)
Within 1 month	35,707	8,867
1 to 3 months	20,843	7,504
4 to 12 months	2,634	2,137
Over 12 months	1	—
	<u>59,185</u>	<u>18,508</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.

13. LOAN RECEIVABLE

The loan receivable from money lending line of business is provided to an independent third party after a credit assessment over the borrower, bears interest at 8% per annum and mature on 30 August 2017. The loan receivable is secured by the charges on certain shares of a company listed on the Main Board of The Stock Exchange of Hong Kong Limited that held by the borrower and the personal guarantee given by the sole director of the borrower.

14. TRADE PAYABLES

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

	At 30 September 2016 <i>HKD'000</i> (unaudited)	At 31 March 2016 <i>HKD'000</i> (audited)
Within 1 month	8,584	4,699
1 to 3 months	5,839	2,393
4 to 12 months	4,512	1,380
Over 12 months	—	4
	<u>18,935</u>	<u>8,476</u>

15. 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 2016, the company had 283,000,000 (31 March 2016: 283,000,000) outstanding warrants. Exercise in full of such outstanding warrants would result in the issue of 283,000,000 (31 March 2016: 283,000,000) additional ordinary shares.

16. PLEDGE OF ASSETS

At 30 September 2016 and 31 March 2016, no assets of the Group were pledged to secure the credit facilities utilised by the Group.

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	
	2016	2015
	<i>HKD'000</i>	<i>HKD'000</i>
	(unaudited)	(unaudited)
Salaries, allowances and other benefits	3,438	2,704
Contributions to defined contributions retirement plan	71	72
	<u>3,509</u>	<u>2,776</u>

(b) Financing arrangements

At 30 September 2016, certain general banking facilities totaling HKD87,500,000 (31 March 2016: HKD80,000,000) were secured by legal charges on leasehold properties of companies controlled by Mr. Cheng Kwai Chun, John ("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 2016, these facilities were utilised by the Group to the extent of HKD39,880,000 (31 March 2016: HKD27,648,000).

(c) Other related party transactions

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

		Six months ended 30 September	
Related parties	Nature of transactions	2016	2015
		<i>HKD'000</i>	<i>HKD'000</i>
		(unaudited)	(unaudited)
Companies in which Mr. Cheng has interests or significant influences	Sales of goods	745	1,898
	Rental and other income received	–	301
	Commission paid	–	24
	Overdue interest income	2	–
	License fee paid	451	451
	Rental expenses paid	1,915	1,910

Trade receivables at 30 September 2016 included amounts of HKD1,094,000 (31 March 2016: HKD540,000) due from the above related parties.

18. EVENTS AFTER THE END OF THE REPORTING PERIOD

- (a) On 2 November 2016, the Group entered into an equity transfer agreement with an independent third party in respect of the acquisition of 100% equity interest of a PRC incorporated company (the “Acquisition”), which is principally engaged in research, development and sales of batteries for new energy vehicles and other electronic products. Subject to the fulfilment of the conditions precedent under the equity transfer agreement, RMB36,000,000 (equivalent to approximately HKD41,400,000) will be transferred to the vendor as the consideration of the Acquisition. The Acquisition is subsequently completed on 15 November 2016. Further details of the Acquisition are set out in the Company’s announcements dated 2 November 2016 and 15 November 2016.
- (b) On 8 November 2016, the Group entered into a loan agreement to lend a principal amount of HKD15,000,000, bearing interest at a rate of 12% per annum for a term of two months, to an independent third party. Further details of the provision of the loan transaction are set out in the Company’s announcement dated 8 November 2016.
- (c) On 24 November 2016, the Group entered into a capital injection agreement with two independent third parties in respect of the proposed capital injection of RMB82,000,000 (approximately HKD92,660,000) into a PRC incorporated company (the “Capital Injection”), which is principally engaged in research and development of power electric battery; system of power electric battery; technologies related to range extended electric vehicles; and other products related to a battery system. Upon completion of the Capital Injection, 45.05% equity interest of the Target Company will be held by the Group. The Capital Injection is subject to the fulfilment of the conditions precedent under the capital injection agreement and is still under progress up to the date of approval of this interim financial information. Further details of the Capital Injection are set out in the Company’s announcement dated 24 November 2016.

BUSINESS REVIEW AND OUTLOOK

Turnover

The Group's consolidated turnover for the six months ended 30 September 2016 was HKD152.8 million. This represented a decrease of 28% over the sales turnover of HKD212.2 million in the same period of last year. Such decrease of turnover was due to the decrease of contribution from manufacturing of and trading of garment products which resulted from the continuing poor USA market sentiment. The sales volume made by the Group also dropped.

For the current period under review, the Group's sales to the USA, which accounted for approximately 82% (six months ended 30 September 2015: 76%) of the Group's total turnover, whereas 18% (six months ended 30 September 2015: 24%) of the Group's total turnover were attributed to the sales to Europe, Asia and others.

Other than the garments business, the money lending business opened up a new income stream for the Group and the interest income revenue derived from the provision of money lending services amounted to HKD306,000 for the period under review (six months ended 30 September 2015: HKDNil). The Group adopted a prudent credit control policy, with the money lending business continuously carrying out review of credit risk over the existing borrowers.

Profitability

The Group's gross profit margin for the six months ended 30 September 2016 was 13% whereas the margin for previous comparable period in 2015 was 12%. The increase is caused by decrease in raw material consumed, direct labour and sub-contractor wages, together with the slightly effect from the contribution of the money lending business, with a comparatively higher profit margin. Although the gross profit margin is increased, the gross profit amount had been worsened by 21% due to decrease in sales turnover.

The Group's net loss for the six months ended 30 September 2016 was HKD1.9 million, this represented a decrease of HKD5.2 million as compared to the same period of the previous year. The main reason is due to (i) the decrease in the Group's gross profit amount of HKD5.3 million as a result of the decrease in sales turnover of garments products, and (ii) the increase in administrative expenses amounted to HKD4.2 million mainly related to the expansion of head office, which is partially offset by the decrease in selling expenses amounted to HKD2.9 million.

Liquidity and Capital Resources

As at 30 September 2016, the net current assets of the Group amounted to HKD122.4 million (31 March 2016: HKD123.6 million) of which HKD77.3 million (31 March 2016: HKD154.3 million) were cash and cash equivalents (excluded bank overdraft). The Group had total bank loans and overdraft of approximately HKD39.9 million (31 March 2016: HKD27.6 million) are repayable within five years.

Unlisted warrants

On 27 August 2015, the Company completed the placing agreement with a placing agent under specific mandate and issued 283,000,000 unlisted warrants at an issue price of HKD0.02 per warrant to six independent third parties. The placing unlisted warrants entitled the holders to subscribe for up to 283,000,000 new shares at an exercise price of HKD3 per share. The subscription right is exercisable during a period of three years from the date of issue of the unlisted warrants. As at 30 September 2016, the net proceeds after deducting the transaction costs and after deducting the related costs were HKD5.5 million and HKD5.1 million respectively, which had been applied to the Group's general working capital.

As at 30 September 2016, no unlisted warrant was exercised to subscribe for shares of the Company and there are 283,000,000 unlisted warrants outstanding at the end of the reporting period. If the full exercise of the subscription rights of the unlisted warrants at the initial subscription price of HKD3, it is expected up to an additional of HKD849 million will be raised and expected to be used as the Group's general working capital, future business development and potential acquisition of the Group.

Foreign Exchange Risks And Interest Rate Risk Management

The Group adopts strict and cautious policies in managing its exchange rate risk and interest rate risk. The principal foreign currency exchange risk stems from the exchange rate movements of the Hong Kong dollars, which are pegged to the United States dollars, and Renminbi. The sales of the Group are mainly denominated in United States dollars. In recent years, the Group's purchases of raw materials are settled principally in Hong Kong dollars, Renminbi and United States dollars. The Group's operations in China, the location of its production, are primarily conducted in Renminbi, and its Hong Kong operations are conducted in Hong Kong dollars. During the six months ended 30 September 2016, the Group did not use any financial instruments to reduce the risk of change in exchange rates.

The Directors are of the opinion that the Group is not subject to any significant interest rate risk even though the interest-bearing borrowings of the Group, denominated in Hong Kong dollars, are on the floating rate basis. The debt to equity ratio was 29% (31 March 2016: 20%), the interest rate risk exposure is not significant.

Interim Dividend

The Directors have resolved not to recommend the payment of any interim dividend for the six months ended 30 September 2016 (30 September 2015: HKDNil).

Pledge of Assets

As at 30 September 2016 and 31 March 2016, no assets of the Group were pledged to secure the credit facilities utilised by the Group.

Financial Guarantees Issued

As at 30 September 2016, the Company had issued corporate guarantees amounting to HKD67.5 million (31 March 2016: HKD60 million) to banks in connection with facilities granted to a subsidiary.

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

As at 30 September 2016, the Directors considered it was not probable that a claim would be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued was the facilities drawn down by the subsidiary of HKD20.0 million (31 March 2016: HKD8.0 million).

Capital expenditures and commitments

During the period under review, the Group had capital expenditures of approximately HKD1.4 million (six months ended 30 September 2015: HKD1.5 million).

As at 30 September 2016 and 31 March 2016, the Group had no capital commitments in property, plant and equipment.

Employees and Remuneration Policies

As at 30 September 2016, the Group had a total of approximately 1,400 employees (six months ended 30 September 2015: approximately 1,500 employees). The total staff cost of the Group amounted to approximately HKD47 million during the period, representing 31% of the Group's turnover. Employees' remuneration and bonuses are based on their responsibilities, performances, experience and the prevailing industry practice. The Group's remuneration policies and packages were reviewed periodically by the management of the Company. The Group provides relevant training to its employees in accordance with the skills requirements of different positions.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted on 23 August 2011 for the primary purpose of granting options to eligible employees, any executive and non-executive director (including independent non-executive director) of the Group and other eligible participants as incentives or rewards for their contribution to the Group and will be valid and effective for a period of 10 years commencing on the date on which the Scheme was adopted.

On 22 August 2016, an ordinary resolution was duly passed in an annual general meeting to approve the refreshment of the Share Option Scheme limit from 118,201,000 shares to 141,500,000 shares, being 10% of the total number of shares in issue. Since the adoption of the Scheme, no share option has been granted by the Company.

ADVANCE TO AN ENTITY AND PROVISION OF FINANCIAL ASSISTANCE

On 26 August 2016, Grand Mark Worldwide Limited ("Grand Mark"), an indirect wholly owned subsidiary, as the lender entered into a loan agreement with Dawnfield Investments Limited, an independent third party and not connected with the Group, as the borrower. Pursuant to the loan agreement, the lender agreed to grant the loan facility of HK\$45 million to borrower for a term of 12 months at interest rate of 8% per annum. The loan facility is secured by certain shares in a company listed on the main board of the Stock Exchange which are owned by the borrower and guaranteed by the sole shareholder of Dawnfield Investments Limited. Interest is payable on quarterly basis and the loan principal and any outstanding interest accrued is payable at the end of the loan term. Details of the transaction were set out in the Company's announcement dated 26 August 2016.

EVENTS AFTER THE REPORTING PERIOD

Acquisition of Shenzhen Taihe Yutong New Energy Technology Company Limited (“Shenzhen Taihe”)

On 2 November 2016, Marvel Innovator Investment Holdings Limited, an indirect wholly owned subsidiary, entered into the equity transfer agreement with Shenzhen Shengbang Business Management Company Limited, which is an independent third party, for acquisition of the entire issued share capital of Shenzhen Taihe at the consideration of RMB36,000,000 (equivalent to approximately HKD41,400,000) which shall be payable upon completion and the consideration will be funded by the internal resources of the Group. Shenzhen Taihe was established in the PRC with limited liability and is principally engaged in the research, development and sales of batteries for new energy vehicles or other electronic products. The completion of the acquisition took place on 15 November 2016 in accordance with the equity transfer agreement. Details of the transaction were set out in the Company’s announcements dated 2 November 2016 and 15 November 2016.

Provision of financial assistance

On 8 November 2016, Grand Mark, as the lender entered into a loan agreement with a company which listed on main board of the Stock Exchange, an independent third party and not connected with the Group, as the borrower. Pursuant to the loan agreement, the lender agreed to grant the loan facility of HKD15 million to borrower for a term of 2 months at interest rate of 12% per annum. The loan facility is secured by a share charge executed by the chargor over the charged shares, to which the chargor agreed to charge by way of first fixed charge of all the charged shares in favour of the Lender. Upon expiration of the term, the borrower must fully repay to the lender the principal amount of the loan facility together with all interests as accrued thereof. Details of the transaction were set out in the Company’s announcement dated 8 November 2016.

Proposed Capital Injection into Shenzhen Senpai New Energy Technology Company Limited (“Shenzhen Senpai”)

On 24 November 2016, Shenzhen Taihe (the “Investor”), being an indirect wholly-owned subsidiary of the Company since 15 November 2016, entered into a capital injection agreement with the two original shareholders of the Shenzhen Senpai. Pursuant to the capital injection agreement, the Investor shall, subject to the fulfillment of conditions precedent, inject capital of RMB82,000,000 into the Shenzhen Senpai by way of cash contribution.

Shenzhen Senpai is 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. In the development of electric vehicles and lithium-ion batteries, Shenzhen Senpai possesses the patented technologies in relation to (i) a electric tugboat and its power system, the technology of which may be applicable to the development of a electric power system; and (ii) a testing device for the deterioration level of battery systems.

Upon completion of the capital injection, Shenzhen Senpai will be held as to approximately 45%, 33% and 22% equity interests by the Investor, and the two original shareholders respectively, and the registered capital of the Shenzhen Senpai will be increased from RMB100,000,000 to RMB182,000,000. The Group will be able to control a majority of the board of directors of Shenzhen Senpai and direct its relevant activities, accordingly, the Shenzhen Senpai will become an indirect non-wholly owned subsidiary of the Company and its financial results, assets and liabilities will be consolidated into the consolidated financial statements of the Group. Details of the transaction were set out in the Company's announcement dated 24 November 2016.

FUTURE PROSPECTS

In the second half of 2016, it is expected that the garment and textile industry will continue to face the challenges from the poor market condition. The management is continuously considering the continuing cost cutting measures in all aspects of its operation to enhance the profitability and competitiveness of the Group.

Regarding the money lending business, the Group will continue to develop and expand its money lending business with prudent credit control procedure in order to safeguard its capital, with business development strategies to strike a balance between business growth and risk management. While the Group will explore customers with good quality to expand its business scale, it will continue to adopt a prudent credit risk control procedure to ensure a healthy development in its money lending business.

Furthermore, the Group intends to tap the new energy business industry through the acquisition of Shenzhen Taihe and the proposed capital injection into Shenzhen Senpai. For the past few years, the PRC government had made huge effort in developing and promoting the use of new energy vehicles. These could be evidenced by the multilateral policies implemented by the PRC government, which includes macro strategies such as new energy vehicles development and pollution control, infrastructural development to introduce more charging stations and providing tax and subsidy incentives for the developers and consumers. It is currently expected that the market of new energy vehicles will maintain a high-speed growth in the coming years. The Directors believe the acquisition and the proposed capital injection can provide an opportunity for the Group to diversify its business segment, and develop new energy business with potential and broaden the scope of business of the Group.

In the meanwhile, the Board is continuously identify and explore the other business investment and business opportunities, including but not limited to new energy business and finance leasing business, which could provide a stable income and growth to the Group's long term performance.

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 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2016, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for the following deviations:

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.

Under the Code Provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings of the Company. Mr. Wu Shiming, a former independent non-executive director who was resigned on 31 August 2016, could not attend the annual general meeting of the Company held on 22 August 2016 due to his business commitments. The Company will strengthen its planning process, by giving all Directors sufficient time to arrange their work in advance and providing any necessary support for their presence and participation in the meetings, so as to facilitate all Directors attending the Company's future general meetings.

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 have confirmed their compliance with the Model Code for the six months ended 30 September 2016.

CHANGE OF DIRECTORS' INFORMATION

Upon specific enquiry by the Company and following confirmations from Directors, save as otherwise set out in this Announcement, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual report. The change of Directors' information as required to be disclosed pursuant to Rule 13.51B of the Listing Rules are set out below:

1. Mr. Chong Ka Yee retired as an non-executive director with effect from 22 August 2016;
2. Mr. Wang Jian has been appointed as an executive director of the Company with effect from 23 August 2016 and has been appointed as the chairman of the Board with effect from 8 September 2016;
3. Mr. Chan Sun Kwong resigned as an independent non-executive director and ceased to be the chairman of each of the audit committee and the remuneration committee, and the member of each of the nomination committee and the corporate governance committee with effect from 31 August 2016;
4. Mr. Wu Shiming resigned as an independent non-executive director and ceased to be the member of each of the audit committee, the remuneration committee, the nomination committee and the corporate governance committee with effect from 31 August 2016;
5. Mr. Xie Xiaobiao has been appointed as an independent non-executive director and the member of each of the audit committee, the remuneration committee, the nomination committee and the corporate governance committee with effect from 31 August 2016;
6. Mr. Zheng Suijun has been appointed as an independent non-executive director and the member of each of the audit committee, the remuneration committee, the nomination committee and the corporate governance committee with effect from 31 August 2016;
7. Mr. Liu Kam Lung has been appointed as the chairman of each of the audit committee and the remuneration committee with effect from 31 August 2016;
8. Mr. Cheung Chi Mang resigned as an executive director and also ceases to act as the chairman of the Board and the chairman of the corporate governance committee and the member of each of the nomination committee and the remuneration committee with effect from 8 September 2016;
9. Ms. Qian Pu has been appointed as an executive director of the Company with effect from 8 September 2016; and
10. Mr. Ko Kin Chung has been appointed as the chairman of the corporate governance committee with effect from 8 September 2016.

COMMITTEES

The Directors have caused four committees to be formed pursuant to the Code: the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee.

The Audit Committee, comprising the three independent non-executive Directors, namely Mr. Liu Kam Lung, Mr. Xie Xiaobiao and Mr. Zheng Suijun, 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 2016.

The interim results for the six months ended 30 September 2016 have been reviewed by the Company's auditors.

An independent service provider was appointed for the current period to assist the Board to monitor the effectiveness of the risk management and internal control system of the Group. The service provider completed its half-year review in accordance with the guidance provided by the HKICPA of “Internal Control and Risk Management – A Basic Framework” and the international professional standards of the Institute of Internal Auditors. A half-yearly Internal Control Review Report was submitted to the Audit Committee. The report findings were also communicated to the management so that appropriate follow-up actions will be taken if required.

SUFFICIENT OF PUBLIC FLOAT

Immediately after the close of the share offer made by Hong Kong Investments Group Limited (the “HK Investments”) for all the issued shares of the Company on 22 February 2016, there were 277,032,050 shares of the Company, representing approximately 19.58% of the total issued share capital, being held by the public. Accordingly, the Company has made an application to the Stock Exchange for, and the Stock Exchange granted the Company from, a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period of two months commencing from 22 February 2016 and further extend the temporary waiver for the period from 22 April 2016 to 28 April 2016.

On 28 April 2016, HK Investments transferred 84,900,000 Shares it owned, representing 6% of the total issued share capital of the Company, to independent third parties and, as a result, the public float of the Company has been restored to not less than 25%.

The Company had maintained a sufficient public float of not less than 25% of its total issued Shares as required under the Listing Rules throughout the period commencing from 28 April 2016 and up to the date of this announcement.

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.paktakintl.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.

By order of the Board
Pak Tak International Limited
Wang Jian
Chairman

Hong Kong, 28 November 2016

As at the date of this announcement, the Board comprises Mr. Wang Jian, Mr. Ko Kin Chung, Mr. Shang Yong and Ms. Qian Pu as executive Directors, Mr. Law Fei Shing as non-executive Director and Mr. Liu Kam Lung, Mr. Xie Xiaobiao and Mr. Zheng Suijun as independent non-executive Directors.