Pak Tak International Limited
百德國際有限公司

INTERIM REPORT 2003

Contents

REVIEW OF OPERATIONS

Business Review

We promised in our last annual report to find way to improve our revenue and we did it. During the six months ended 30 September 2003, Pak Tak International Limited (the "Company") and its subsidiaries (the "Group") had recorded unaudited net profit of HK$10.0 million as compared to net loss of HK$15.9 million (as restated) in the corresponding period in 2002. This result is remarkable as it shows that the Group is re-gathering momentum and re-delivering sound operating results. The Group is now well positioned to navigate through the tough market and economic climate.

We still worked in a harsh operating environment for the six months ended 30 September 2003. Despite turnaround in the net profit, unaudited consolidated turnover of the Group for the period under review decreased by 28.5% to HK$211 million as compared to HK$296 million for the corresponding period in 2002. Catering the requests from our customers to deliver products at a shorter period of time, we have been striking a balance – fulfilling orders in time through the restructuring of our production schedule and resisting the need to outsource production which we regard as reducing our profit margin. For the period under review, the Group strategically solicited fewer orders so as to create more buffer for its production capacity to meet the tighter order delivery time. This strategy proved to be successful in reducing our production costs and increasing our profitability.

The Group is consistently carrying out its cost control measures to further enhance its competitive edge. Further, we will improve our production efficiency through the introduction of advanced technology in the information system so that our management can closely monitor the production status and react promptly to any production problems. We will also use computerized knitting machines to enrich our production profile so as to offer our customers with a complete range of the most popular knitted-to-shape garments.

PRC continues to be our largest production base. We believe that good living environment is of particular importance in retaining and recruiting skillful workers. In this connection, we had commenced the improvement of the living environment at Pak Tak Industrial City and the same was completed in November 2003. Further, we have sought better ways to improve our packaging procedure to respond to the requirements from US customers for better anti-terrorist attack measures. Our aim is to deliver value-added services to our customers and maintain our position in the market with profit at healthy margin.

Among the many highlights for these six months, a major step has been taken in Thailand where we have completed the construction of our factory premises at Chaiyaphum province. The Thailand factory is almost operating in full scale now and it has started to develop its own sales network. Orders amounting to HK$1.5 million have been solicited for export for the coming months. We expect our production base in Thailand to play an important role in our future development and significantly enhance our profit growth.

Developments in Vietnam are more restrained. The US government has imposed quota on textile products exported from Vietnam since July this year. Amid the new quota system, the Group adopted a more prudent operating strategy by minimizing the scale of production and postponing further investment in Vietnam. The imposition of US quota may affect our growth momentum in Vietnam; yet we believe that with our professional training team and the efficient and hard working labour there, the revenue generated from our Vietnam's operations should be stable. The management is confident that Vietnam would become one of our major production bases if the allocation of US quota to us is stable and sufficient for our export purposes.

Turnover

The Group's consolidated turnover for the six months ended 30 September 2003 decreased by 28.5% to HK$211 million, from HK$296 million in the corresponding period in 2002. The decrease was mainly attributed to the Group reserving more of its production capacity to fulfill orders with tighter production lead time. This strategic planning minimized the need to subcontract work to outsider and so avoided extra production costs and allowed us to closely monitor the production status to prevent shipment by air freight at our own expenses.

During the period under review, US continued to be our largest market. Nevertheless, as the US economy continued to be volatile with weak consumer confidence and the retail market remained sluggish, the Group's sales to US decreased by 26.9% from HK$261 million to HK$190 million. Sign of slowing economy seems to come to an end in the US and we anticipate that our sales to US will pick up again when the full impact of economic recovery is reflected.

With the expected expansion of out product range as a result of the use of computerized knitting machines, we believe that the Group will be in a more favourable position to enhance and improve its market share in US and other regions.

Profitability

We honoured our promise to re-deliver sound operating results. The unaudited net profit for the period under review was HK$10.0 million as compared to net loss of HK$15.9 million (as restated) for the last corresponding period. This is due to our effort in stringently monitoring our operation so as to spend cautiously and manage efficiently. Subcontracting charges decreased by 49.2% to HK$31.9 million, from HK$62.8 million in the corresponding period in 2002. In addition, learning from the last year lesson, the management closely monitored the production schedule to prevent shipment by air freight. As a result, freight charges decreased from HK$15.3 million to HK$3.8 million for the six months ended 30 September 2003, representing a decrease of 75.2%. The turnaround results of the Group proved the success of the management on leading the business back to a positive track.

During the current period under review, the operation in Vietnam recorded an unaudited net profit of about HK$0.9 million. The result is significant as the developments in Vietnam are more restrained than in other places.

Liquidity and Financial Resources

At 30 September 2003, the Group was in a healthy liquidity position, with cash and bank balances of HK$14 million. Most of the funds were held in Hong Kong dollars and US dollars. At 30 September 2003, net current assets increased by HK$8 million to HK$60 million from HK$52 million at 31 March 2003. The Group believes that the liquidity position will continue to grow strong.

The Group believes that it can continue to finance its operations with its operating cashflow and available banking facilities of over HK$121 million, out of which HK$23 million had been utilized at 30 September 2003. The banking facilities were secured by corporate guarantees given by the Company. The Group's gearing ratio computed as total borrowings over shareholders' fund was 8.7% at 30 September 2003 (at 31 March 2003: 5.6%).

The Group's borrowings were of short-term nature, carrying interest at floating rates. As interest rates remained at low level during the period, the Group's finance cost for the period amounted HK$0.3 million which was lower than the balance of HK$0.5 million for the corresponding period for 2002.

The Group's sales were principally denominated in US dollars while purchases were transacted mainly in Hong Kong dollars and US dollars. Borrowings and cash balances of the Group were principally denominated in Hong Kong dollars. No financial instruments were used for hedging purpose. However, as salary expenses for the Group's production workers are mainly paid in Renminbi, the directors of the Company (the "Directors") are evaluating and closely monitoring the potential impact of Renminbi appreciation. The Directors are reviewing financial instruments that could minimize such potential impact on the Group.

Interim Dividend

The Directors have resolved not to recommend the payment of any interim dividend for the six months ended 30 September 2003 (2002: nil).

Charge on Group Assets

At 30 September 2003, the Group did not have any assets pledged for general facilities.

Contingent Liabilities

At 30 September 2003, contingent liabilities of the Group arising from discounted bills with recourse amounting to HK$2,426,000 (at 31 March 2003: nil).

Capital Expenditures and Commitments

At 30 September 2003, the Group had planned capital expenditure of HK$812,000 for expanding the staff canteens and had expended HK$320,000 for refurnishing factory facilities in the PRC. Saved and except for the aforesaid, there was no material capital expenditure as at the date of this report.

Employees and Remuneration Policies

At 30 September 2003, the Group had approximately 2,350 employees (at 31 March 2003: 1,750). Competitive remuneration packages are structured to commensurate with individual responsibilities, qualification, experience and performance.

Future Prospects

The Group showed improvements in most areas of its business for the six months ended 30 September 2003. Such accomplishments represent an upswing momentum and provide additional backing for the Group to strive for better revenue in the tough economic environment. The challenge now is to maintain future growth when we move ahead into another fiercely competitive year.

Sourcing of high quality yarn plays an integral part in the Group's success. Our long-established relationship with yarn suppliers in Hong Kong and the PRC enables us to have constant supply of high quality yarn for our production. Nevertheless, as there is sign of upward adjustment of yarn cost, the Group will remain cautious for its yarn sourcing. While maintaining and enhancing good relationship with our existing yarn suppliers, the Group intends to explore additional sourcing areas by actively identifying suitable new agents or yarn producers which are able to provide high quality yarn at lower cost.

Given the recent request for revaluation of the Renminbi, there is a possibility that the PRC government will reform its formation mechanism of the Renminbi exchange rate in the future. Although the reform may not be imminent, we believe that the Group has to prepare for such a change. Our business is characterized by labour-intensive. In order to better control our labour costs if the revaluation of Renminbi leads to higher salary expenses, the Group will continue to streamline its production process by considering to introduce computerized knitting machines. In addition, we have also started to prepare for further diversification of our production to other regions, such as Thailand, so as to continue to win our market share without sacrificing profit margins. To facilitate our future growth in Thailand, the Group has completed the construction of factory premises at Chaiyaphum province in Thailand and a new office will also open in Bangkok early next year. It is anticipated that with these efforts, the Group will be able to strengthen its management team there and lay the foundation for our future growth.

Quota expenses contribute a significant portion of our production costs. With the phasing out of the quota system in member countries of the World Trade Organization by 2005, we believe that the Group will be in a more favourable position to compete with other manufacturers. Our strategy is to focus on diversifying and expanding our production bases in countries where we could enhance our operating efficiencies and at the same time, reduce our costs.

With the focus planning in place and the hard work and commitment of our staff, we will strive not only to retain but will continue to steadily increase our overall margins.

Directors' Interests in Securities

At 30 September 2003, the interests and short position of the Directors in the shares, debentures and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to be under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

		Number of ordinary shares held		
Name of directors	**Name of Company**	**Personal interests**	**Corporate interests**	
Mr. Cheng Chi Tai	Pak Tak International Limited	–	157,057,130	*(Note 1)*
Mr. Cheng Kwai Chun, John	Pak Tak International Limited	–	120,840,000	*(Note 2)*
Mr. Lin Chick Kwan	Pak Tak International Limited	5,837,150	–	
Mr. Lin Wing Chau	Pak Tak International Limited	5,551,430	–	
Ms. Yip, Galy Ka Lai	Pak Tak International Limited	–	120,840,000	*(Note 3)*

Notes:

1. Out of 157,057,130 shares, 36,217,130 shares are held by Best Ahead Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Cheng Chi Tai. Another 120,840,000 shares are held by HSBC International Trustee Limited as the trustee of The Brighton Trust, a discretionary trust established by Mr. Cheng Chi Tai. According to the SFO, Mr. Cheng Chi Tai is taken to have an interest or short position in the 120,840,000 shares by virture of being the founder of The Brighton Trust.

2. These shares are held by HSBC International Trustee Limited, the trustee of The Brighton Trust, the discretionary beneficiaries of which include Mr. Cheng Kwai Chun, John and his son who is under the age of 18. HSBC International Trustee Limited is incorporated in the British Virgin Islands.

3. These shares are held by HSBC International Trustee Limited, the trustee of The Brighton Trust, the discretionary beneficiaries of which include Mr. Cheng Kwai Chun, John, the spouse of Ms. Yip, Galy Ka Lai and their son who is under the age of 18.

Substantial Shareholders

At 30 September 2003, so far as was known to the Directors, the following persons had an interest or short position in the shares and the underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any members of the Group:

Name	Name of Company	Number of shares held	Percentage held
HSBC International Trustee Limited	Pak Tak International Limited	120,840,000	approximately 51.12% *(Note 1)*
Best Ahead Limited	Pak Tak International Limited	36,217,130	approximately 15.32% *(Note 2)*
Mr. Cheng Chi Tai	Pak Tak International Limited	157,057,130	approximately 66.44% *(Note 3)*
Ms. Amy Pik Sin	Pak Tak Knitting & Garment Factory (Thailand) Company Limited	1,000	10%
Mr. Nakorn Phisitchoowong	Pak Tak Knitting & Garment Factory (Thailand) Company Limited	1,000	10%
Miss Janphen Phisitchoowong	Pak Tak Knitting & Garment Factory (Thailand) Company Limited	1,000	10%

Notes:

1. HSBC International Trustee Limited is incorporated in the British Virgin Islands and is the trustee of The Brighton Trust, a discretionary trust, the discretionary beneficiaries of which are Mr. Cheng Kwai Chun, John, the Director, and other family members of Mr. Cheng Chi Tai.

2. Best Ahead Limited is incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Cheng Chi Tai.

3. Out of 157,057,130 shares, 36,217,130 shares are held by Best Ahead Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Cheng Chi Tai. Another 120,840,000 shares are held by HSBC International Trustee Limited as the trustee of The Brighton Trust, a discretionary trust established by Mr. Cheng Chi Tai. According to the SFO, Mr. Cheng Chi Tai is taken to have an interest or short position in these shares by virtue of being the founder of The Brighton Trust.

Purchase, Sale and Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold, or redeemed any of the Company's listed securities during the six months ended 30 September 2003.

Audit Committee

The Audit Committee has reviewed with the management and the auditors of the accounting principles and practices adopted by the Group and discussed the unaudited condensed consolidated financial statements for the six months ended 30 September 2003.

The interim financial reports have been reviewed by the Company's auditors.

Code of Best Practice

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not, for the six months ended 30 September 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

On behalf of the Board
Cheng Chi Tai
Chairman

Hong Kong, 8 December 2003

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Deloitte
Touche
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Independent Review Report

To the Directors of Pak Tak International Limited
(incorporated in Bermuda with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 10 to 20.

Directors' Responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review Work Performed

We conducted our review in accordance with Statement of Auditing Standards No. 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review Conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2003.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 8 December 2003

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2003

	Notes	Six months ended 30 September 2003 HK$'000	2002 HK$'000 (Restated)
Turnover	3	**211,426**	295,816
Cost of sales		**(173,960)**	(267,676)
Gross profit		**37,466**	28,140
Other operating income	4	**3,477**	2,726
Administrative expenses		**(16,257)**	(17,978)
Selling expenses		**(13,394)**	(29,638)
Profit (loss) from operations	5	**11,292**	(16,750)
Finance costs	6	**(347)**	(509)
Share of results of an associate		**–**	(307)
Profit (loss) before taxation		**10,945**	(17,566)
Taxation	7	**(1,164)**	618
Profit (loss) before minority interests		**9,781**	(16,948)
Minority Interests		**302**	1,064
Profit (loss) for the period		**10,083**	(15,884)
Dividend	8	**–**	–
		HK cents	*HK cents*
Earnings (loss) per share	9	**4**	(7)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2003

	Notes	**At 30 September 2003 HK$'000 (Unaudited)**	At 31 March 2003 HK$'000 (Audited and restated)
Non-current assets			
Property, plant and equipment	10	**129,707**	126,289
Interest in an associate		**–**	–
Intangible asset		**220**	440
		129,927	126,729
Current assets			
Inventories		**37,123**	37,221
Trade debtors	11	**42,241**	21,179
Other debtors, prepayment and deposits		**10,905**	8,968
Amount due from an associate		**4,263**	4,467
Bank balances and cash		**14,437**	16,951
		108,969	88,786
Current liabilities			
Trade creditors	12	**19,348**	15,574
Bills payable		**3,804**	1,151
Other creditors and accrued charges		**9,138**	9,893
Amounts due to minority shareholders of a subsidiary		**2,654**	2,643
Trust receipt loans, unsecured		**13,579**	7,348
Obligations under finance lease		**66**	–
		48,589	36,609
Net current assets		**60,380**	52,177
Total assets less current liabilities		**190,307**	178,906

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

At 30 September 2003

	Notes	At 30 September 2003 HK$'000 (Unaudited)	At 31 March 2003 HK$'000 (Audited and restated)
Non-current liabilities			
Deferred tax liabilities	2	**1,284**	120
Provision for long service payment		**846**	829
Obligations under finance lease		**122**	–
		2,252	949
Minority interests		**–**	173
		188,055	177,784
Capital and reserves			
Share capital		**23,640**	23,640
Reserves		**164,415**	154,144
		188,055	177,784

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003

	Share capital *HK$'000*	Share premium *HK$'000*	Special reserve *HK$'000*	Negative goodwill *HK$'000*	Exchange reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 April 2002							
– as originally stated	23,640	5,987	32,680	1,232	(111)	164,157	227,585
– prior period adjustments in respect of deferred tax liabilities *(note 2)*	–	–	–	–	–	(1,358)	(1,358)
– as restated	23,640	5,987	32,680	1,232	(111)	162,799	226,227
Exchange differences arising on translation of overseas operations not recognised in income statement	–	–	–	–	137	–	137
Dividend paid	–	–	–	–	–	(10,874)	(10,874)
Loss for the period	–	–	–	–	–	(15,884)	(15,884)
At 30 September 2002	23,640	5,987	32,680	1,232	26	136,041	199,606
At 1 April 2003							
– as originally stated	23,640	5,987	32,680	1,232	264	114,101	177,904
– prior period adjustments in respect of deferred tax liabilities *(note 2)*	–	–	–	–	–	(120)	(120)
– as restated	23,640	5,987	32,680	1,232	264	113,981	177,784
Exchange differences arising on translation of overseas operations not recognised in income statement	–	–	–	–	188	–	188
Profit for the period	–	–	–	–	–	10,083	10,083
At 30 September 2003	23,640	5,987	32,680	1,232	452	124,064	188,055

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2003

	Six months ended 30 September	
	2003	2002
	HK$'000	*HK$'000*
Net cash used in operating activities	**(1,997)**	(14,504)
Net cash used in investing activities	**(6,390)**	(13,251)
Net cash generated from financing activities	**5,873**	4,307
Net decrease in cash and cash equivalents	**(2,514)**	(23,448)
Cash and cash equivalents at beginning of the period	**16,951**	60,048
Cash and cash equivalents at end of the period	**14,437**	36,600
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**14,437**	36,600

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2003

1. Basis of Preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited and with Statement of Standard Accounting Practice No. ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA").

2. Principal Accounting Policies

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2003, except as described below.

In the current period, the Group has adopted, for the first time, SSAP 12 (Revised) "Income taxes" issued by the HKSA. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where timing differences were not expected to reverse in the foreseeable future, SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the condensed financial statements and the corresponding tax basis used in the computation of taxable profit with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. As a result of this change in policy, the opening balance on retained profits at 1 April 2003 has been decreased by HK$120,000 (1 April 2002: HK$1,358,000). The profit for the six months ended 30 September 2003 has been decreased by HK$1,164,000 (The loss for the six months ended 30 September 2002 has been decreased by HK$618,000).

3. Turnover and Contribution to Profit (loss) for the Period

The Group's turnover and contribution to profit (loss) for the six months ended 30 September 2003 by business segment are as follows:

	Turnover		Contribution to profit (loss) for the period	
	Six months ended 30 September		Six months ended 30 September	
	2003 (Unaudited) *HK$'000*	2002 (Unaudited) *HK$'000*	**2003 (Unaudited) *HK$'000***	2002 (Unaudited) *HK$'000*
Sales of knitted-to-shape garments	**205,227**	285,065	**8,388**	(19,410)
Sales of non knitted-to-shape garments	**2,869**	6,140	**(861)**	(239)
Subcontracting income	**3,330**	4,611	**288**	173
	211,426	295,816	**7,815**	(19,476)
Other operating income			**3,477**	2,726
Profit (loss) from operations			**11,292**	(16,750)
Finance costs			**(347)**	(509)
Share of results of an associate			**–**	(307)
Profit (loss) before taxation			**10,945**	(17,566)
Taxation			**(1,164)**	618
Profit (loss) before minority interests			**9,781**	(16,948)
Minority interests			**302**	1,064
Profit (loss) for the period			**10,083**	(15,884)

3. Turnover and Contribution to Profit (loss) for the Period *(Continued)*

The Group's turnover for the six months ended 30 September 2003 by geographical area is as follows:

	Turnover Six months ended 30 September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
United States of America	**190,803**	260,890
Asia	**8,879**	13,238
Europe	**8,783**	17,973
Australia	**1,326**	1,862
Others	**1,635**	1,853
	211,426	295,816

4. Other Operating Income

	Six months ended 30 September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Exchange gain	**1,812**	867
Interest income	**140**	289
Sundry Income	**1,525**	1,570
	3,477	2,726

5. Profit (Loss) from Operations

During the period, depreciation of approximately HK$4,157,000 (six months ended 30 September 2002: HK$3,618,000) was charged in respect of the Group's property, plant and equipment and amortization of approximately HK$220,000 (six months ended 30 September 2002: HK$410,000) was charged to the administrative expenses in respect of the Group's intangible asset.

6. Finance Costs

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

7. Taxation

	Six months ended 30 September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Deferred tax charge (credit):		
Current period	**1,153**	(618)
Attributable to an increase in tax rate	**11**	–
	1,164	(618)

No tax is payable on the profit for period arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward. Tax losses carried forward amounted to approximately HK$10,444,000 (at 30 September 2002: HK$4,926,000) is recognised as a deferred tax asset and is offset against the deferred tax liabilities arising from the accelerated tax depreciation of property, plant and equipment.

During the six months ended 30 September 2003, the Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of deferred tax balances at 30 September 2003.

8. Dividend

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2003 (six months ended 30 September 2002: nil).

9. Earnings (Loss) per Share

The calculation of earnings (loss) per share is based on the Group's profit for the period of HK$10,083,000 (2002 (restated): loss of HK$15,884,000) and on 236,402,000 ordinary shares in issue (six months ended 30 September 2002: 236,402,000 ordinary share in issue).

Diluted earnings (loss) per share has not been presented for either period because the Company does not have any potential ordinary shares.

10. Property, Plant and Equipment

During the six months ended 30 September 2003, the Group acquired property, plant and equipment at a cost of approximately HK$6,390,000 (period ended 30 September 2002: HK$13,251,000).

11. Trade Debtors

The Group allows an average credit period of 30 days to its trade customers.

The following is an aged analysis of trade debtors:

	At 30 September 2003 (Unaudited) ***HK$'000***	At 31 March 2003 (Audited) *HK$'000*
0 – 30 days	**33,700**	20,698
31 – 60 days	**6,890**	285
61 – 90 days	**607**	144
> 90 days	**1,044**	52
	42,241	21,179

12. Trade Creditors

The following is an aged analysis of trade creditors:

	At 30 September 2003 (Unaudited) ***HK$'000***	At 31 March 2003 (Audited) *HK$'000*
0 – 30 days	**9,340**	11,489
31 – 60 days	**4,822**	2,349
61 – 90 days	**4,729**	1,721
> 90 days	**457**	15
	19,348	15,574

13. Capital Commitments

	At 30 September 2003 (Unaudited) HK$'000	At 31 March 2003 (Audited) HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment:		
contracted for but not provided for in the financial statements	**1,140**	2,291
authorised but not contracted for	**–**	313

14. Contingent Liabilities

At 30 September 2003, contingent liabilities of the Group arising from discounted bills with recourse amounted to HK$2,426,000 (At 31 March 2003: nil).

15. Related Party Transactions

		Six months ended 30 September	
Name of related party	**Nature of transaction**	**2003 (Unaudited) HK$'000**	2002 (Unaudited) HK$'000
Pak Tak (Kwong Tai) Knitting Factory Limited ("Pak Tak Kwong Tai") *(Note a)*	Sales of goods *(Note c)*	**3,594**	4,536
	Subcontracting income received *(Note d)*	**62**	329
	Interest income received *(Note e)*	**123**	124
Admiralty Pty Limited *(Note b)*	Sales of goods *(Note c)*	**1,162**	987

Notes:

(a) Pak Tak Kwong Tai is an associate of the Company.

(b) Admiralty Pty Limited is owned by relatives of Cheng Chi Tai and Cheng Kwai Chun, John, the directors of the Company.

(c) The transactions were carried out at cost plus a percentage profit mark-up.

(d) The subcontracting fee paid was determined at amounts mutually agreed by parties involved.

(e) Interest income received was calculated with reference to the prevailing market rate.