Pak Tak International Limited
百德國際有限公司

Interim Report 2005

CONTENTS

REVIEW OF OPERATIONS

Business Review

The board of directors (the "Directors") of Pak Tak International Limited (the "Company") has the pleasure of presenting the interim report and the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the six months ended 30th September, 2005.

The Directors are pleased to report a profitable period of operations for the six months ended 30th September, 2005. The strategic decision of introducing computerized knitting machinery to the Group's production facilities in 2004 has brought in significant benefits. Aided by over 200 sets of computerized knitting machinery, in the period under review, the Group was able to carry out much of the production work in-house instead of out-sourcing to sub-contractors. With the computerized knitting machinery, the Group is better able to face the labor shortage problem that is inundating the southern China area. As the machinery performed in a stable manner, the Group found itself better able to control cost by using the computerized knitting machinery. The Group's ability to control its production cost contributed significantly to the profitability of the period.

The computerized knitting machinery also enabled the Group to introduce a wider range of knitted-to-shape garments. The machinery transformed the Group's image into one that is capable of meeting the varied demands of customers and to follow changes in fashion and consumer demands for knitted-to-shape garments.

At the beginning of 2005, under the terms of China's ascendancy to the WTO, China and Hong Kong textile quotas for the Group's products were eliminated. Initially, the change in the quota system brought in uncertainties in respect of import of textile from China as there were threats from the US, the principal market for the Group's products, to reintroduce quotas or to take other retaliatory measures. Such threats have since subsided and the US import market for textile products from China appears to have stabilized. The stability is reflected in the Group's sales as the Group's monthly sales orders appear to reflect the past seasonal pattern rather than undergoing unusual swings of 2004. The familiar seasonality helped the Group to better plan its production lines, assign workforce, and meet shipment deadlines. Such factors also contributed to the Group's profitability for the period.

Turnover grew 5% to approximately HK$230 million as compared to HK$219 million for the corresponding period in 2004. The Company reported net profit of approximately HK$23 million for this interim period (30th September, 2004: loss of approximately HK$2 million). The profitability represents a turnaround of the Group's performance. With stable orders, production volume, and production cost, the Group believes that it has reverted the slide in its performance and will be able achieve better profitability over the next periods.

Turnover

The Group's consolidated turnover for the six months ended 30th September, 2005 increased by 5% to approximately HK$230 million, from HK$219 million for the corresponding period in 2004. Knitted-to-shape garments continues to be the largest product division making up 98% of total turnover. Conversely, non knitted-to-shape garments now represents only 1% of total turnover. As the Group refocused its business and concentrated more on knitted-to-shape garments, its commitments to non knitted-to-shape garments were reduced correspondingly.

The US remained the Group's core market. The Group's sales to US were HK$207 million (30th September, 2004: HK$187 million), representing an increase of 11%. In June 2005, the Group decided to set up a representative office in New York with the view of better marketing the Group's strengths and capability to its main market. The US representative office will serve as a part of the Group's marketing plan to increase its exposure to its US customers. The representative office is also intended to carry out market research of consumer tastes, preferences, and fashion trends such that the Group will be better able to meet its customers' demands of changes in style and designs.

Profitability

The Group's turnaround from a loss position in the six months period ended 30th September, 2004 to the profitability of the current period can be attributed to its success in cost control. The Group's gross margin increased to 17% (30th September, 2004: 15%); the improvement resulted directly from the Group's ability to control cost and to the lower labor and sub-contracting charges that are attributable to the benefits brought on by the automation of its production process.

In addition to the ability to control production cost, the Group benefited significantly from the elimination of quota expenses. The quota charges of HK$14.6 million that the Group paid for in the previous corresponding period was completely eliminated in the current period. The only significant item that offsets the lower selling and administrative expenses is the increase in depreciation charges in respect of the Group cost of the computerized knitting machinery.

Due to the use of the banking facilities, the Group incurred HK$2.1 million in interest charges (30th September, 2004: HK$412,000). With the improvement in its cashflow, however, the Group expects that the interest charges will not further increase.

Liquidity and Financial Resources

As at 30th September, 2005, total amount of cash and bank balances of the Group were approximately HK$8 million, representing a 13% decrease when compared to 31st March, 2005. As the Group believes that its profitability now is improving, its cashflow position is expected to improve. Most of the funds were held in Hong Kong dollars and US dollars. As at 30th September, 2005, net current assets were HK$7.7 million (31st March, 2005: HK$2.9 million).

In the six months ended 30th September, 2005, the Group acquired property, plant and equipment totaling HK$34 million, of which HK$13 million was financed by finance leases. Due to the significant capital expenditures, the Group's use of banking facilities reached HK$69 million. In addition, the Group also received an advance of HK$27 million from its Directors. The Group has available banking facilities totaling HK$107 million (31st March, 2005: HK$210 million) which were secured by corporate guarantees given by the Company. The Group's gearing ratio computed as total borrowings over shareholders' fund was 58% as at 30th September, 2005 (31st March, 2005: 34%).

The Group's sales were principally denominated in US dollars while purchases were transacted mainly in Hong Kong dollars and US dollars. The Group's expenditures in China, the location of its majority production facilities, are denominated in the Chinese Yuan. In 2005, the Chinese government changed its policy regarding the alignment of the Yuan relative to the US dollars. However, in terms of the Group's expenditures that are denominated in the Yuan as compared to its overall purchases in Hong Kong and US dollars is relatively low, and in view of the minor adjustments expected to the Yuan in the short term, the Group believes that its currency exposure is minimal and immaterial.

The Group's borrowings and cash balances were principally denominated in Hong Kong dollars. No financial instruments were used for hedging purposes.

Interim Dividend

The Directors have resolved not to recommend the payment of any interim dividend for the six months ended 30th September, 2005 (30th September, 2004: nil).

Charge on Group Assets

As at 30th September, 2005, certain machinery of the Group with an aggregate value of approximately HK$3.2 million (31st March, 2005: approximately HK$3.5 million) was pledged to secure the banking facilities utilized by the Group.

Contingent Liabilities

As at 30th September, 2005, the Company had issued corporate guarantees to banks in connection with facilities granted to and utilized by certain subsidiaries amounting to HK$69 million (31st March, 2005: HK$183 million).

Capital Expenditures and Commitments

During the six months period ended 30th September, 2005, the Group had incurred capital expenditures of HK$34 million (30th September, 2004: HK$39 million). There were no capital commitments outstanding as at 30th September, 2005 (30th September, 2004: HK$90,000).

Employees and Remuneration Policies

As at 30th September, 2005, the Group had approximately 1,309 employees (30th September, 2004: 1,860). The Group's remuneration package is structured to commensurate with individual responsibilities, qualification, experience and performance.

Future Prospects

As a reflection of its policy of managing growth in a controlled manner, the Group expects its sales performance over the current and next few years to be stable. The Directors believe that this managed growth policy is reasonable given the current volatility of the US textile import policy, such as the reintroduction of quota system in respect of textile imported from China. Such current threats as the slow down in the US economy, increase in interest rates, and the more remote threat of the avian flu becoming pandemic convince the Directors that its controlled growth policy is a reasonable and prudent one. Nevertheless, with the expansion of its Hong Kong production facilities, the Directors believe that the Group is in a better position to minimize the risks associated with the reintroduction of quota system in respect of textile imported from China as products of Hong Kong origin are not likely to be the subjects of attack by US apparel manufacturers. Through the use of computerized knitting machinery, the Group also differentiates and diversifies its products so as to capture a wider range of customers. The increasing flexible and efficient production will continue to support the growth of the Group.

In recent years, more and more US retailers prefer to by-pass middlemen and buy their products from manufacturers. While historically, the Group has sold its products to a number of traders, the Group believes that with its manufacturing foundation in China, it is well placed to sell to US retailers directly. To improve the Group's opportunity with US retailers, the Company has set up a representative office in the US with the view of promoting the Group's name. It is expected that the name awareness will lead to the Group becoming a more familiar brand with retailers. In the medium to long term, the name awareness should ensure that the Group's sales to US retailers will always be maintained.

The automation of the Group's production process is actually quite a milestone in the Group's development. As the increase in labor cost and labor shortage in southern China is having an increasing impact on the Group's production cost, the introduction of computerized knitting machinery is timely and necessary. The computerized knitting machinery is a viable means of countering the impact of the increase in labor cost.

As the Group is under constant pressure to increase its production capacity without significantly increasing its cost, it is also exploring prospects of investing in other factory facilities, especially outside of the Pearl River Delta area. Having lived through the periods of drastic changes to the markets and customer preferences of the Group's knitted-to-shape garments, the Group believes that its ability to survive and to overcome the adversity can be attributed to its solid background, foundation, and quality of its products. The Group is determined to find all means of reverting to its past profitability, but without compromising on its reputation of producing quality products and creating value for its customers.

Directors' Interests in Securities

As at 30th September, 2005, the interests and short positions of the Directors and chief executives of the Company and their respective associates in the shares, underlying shares and debentures 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 would 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 taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of Director	Number of shares interested (long position)	Capacity	Approximate percentage of the issued share capital of the Company
Mr. Cheng Chi Tai	(i) 39,314,280 *(Note 1)*	Corporate	16.63%
	(ii) 120,840,000 *(Note 2)*	Founder of a discretionary trust	51.11%
	(iii) 1,860,000	Family	0.78%
Mr. Cheng Kwai Chun, John	120,840,000 *(Note 3)*	Discretionary object	51.11%
Mr. Lin Wing Chau	2,955,430	Personal	1.25%

Notes:

1. These shares are held by Best Ahead Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Cheng Chi Tai. The directors of Best Ahead Limited are Mr. Cheng Chi Tai and Mr. Cheng Kwai Chun, John.

2. Theses shares are held by HSBC International Trustee Limited as the trustee of The Brighton Trust, a discretionary trust established by Mr. Cheng Chi Tai.

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 and his son who is under the age of 18. HSBC International Trustee Limited is incorporated in the British Virgin Islands.

Substantial Shareholders

As at 30th September, 2005, so far as was known to the Directors or chief executives of the Company, the following persons had an interest or short position, other than the interests disclosed above in respect of Directors and chief executives, in the shares or 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 51.11% *(Note 1)*
Best Ahead Limited	Pak Tak International Limited	39,314,280	approximately 16.63% *(Note 2)*
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 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. The directors of Best Ahead Limited are Mr. Cheng Chi Tai and Mr. Cheng Kwai Chun, John. Save as disclosed above, no Director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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 30th September, 2005.

Corporate Governance Report

The Directors are pleased to report that throughout the six months period ended 30th September, 2005, the Company was in substantial compliance with the Code of Corporate Governance Practices 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;
- the remuneration of Directors and senior management;
- accountability and audit;
- delegation by the Board; and
- communication with shareholders,

are in compliance with the Code.

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

Directors' Securities Transactions

The Company has adopted a code of conduct rules (the "Model Code") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code in the six months period ended 30th September, 2005.

Committees

The Directors have caused three committees to be formed pursuant to the Code: The Audit Committee, the Nomination Committee and the Remuneration Committee. The Audit Committee, comprising the three independent non-executive Directors, namely Mr. Chow Chan Lum, Ms. Ko Hay Yin, Karen and Ms. Ho Man Yee, Esther, has reviewed with the management and the auditors of the accounting principles and practices adopted by the Group and discussed the unaudited consolidated financial statements for the six months ended 30th September, 2005.

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

By order of the Board
Cheng Chi Tai
Chairman

Hong Kong, 8th December, 2005

BAKER TILLY
HONG KONG

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF PAK TAK INTERNATIONAL LIMITED

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 10 to 18.

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 Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public 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 Institute of Certified Public 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 30th September, 2005.

BAKER TILLY HONG KONG LIMITED
Certified Public Accountants
Hong Kong, 8th December, 2005

Andrew David Ross
Practising Certificate number P01183

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2005

	Note	Six months ended 30th September, 2005 HKD'000 (unaudited)	2004 HKD'000 (unaudited)
Turnover	3	**229,992**	219,058
Cost of sales		**(191,084)**	(186,563)
Gross profit		**38,908**	32,495
Other operating income	4	**2,127**	829
Administrative expenses		**(14,525)**	(19,248)
Selling expenses		**(748)**	(16,047)
Profit/(loss) from operations	5	**25,762**	(1,971)
Finance costs	6	**(2,126)**	(412)
Share of results of an associate		**843**	–
Profit/(loss) before taxation		**24,479**	(2,383)
Income tax	7	**(1,570)**	–
Profit/(loss) attributable to shareholders		**22,909**	(2,383)
Dividend	8	**–**	–
		HK cents	*HK cents*
Earnings/(loss) per share	9	**10**	(1)

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2005

	Note	At 30th September, 2005 HKD'000 (unaudited)	At 31st March, 2005 HKD'000 (audited)
Non-current assets			
Property, plant and equipment	10	173,744	148,660
Interest in an associate		843	–
Prepaid land premiums		6,882	6,924
		181,469	155,584
Current assets			
Inventories		39,684	38,579
Trade debtors	11	81,926	12,207
Other debtors, prepayments and deposits		8,176	3,366
Prepaid land premiums		162	162
Amount due from an associate		2,543	2,208
Bank balances and cash		8,108	9,317
		140,599	65,839
Current liabilities			
Trade creditors	12	32,031	17,180
Bills payable		2,322	1,661
Other creditors and accrued charges	13	19,765	8,751
Amounts due to minority shareholders of a subsidiary		2,720	2,825
Amounts due to directors	14	27,000	–
Bank borrowings		45,558	29,837
Obligations under finance leases		3,504	2,614
		132,900	62,868
Net current assets		7,699	2,971
Total assets less current liabilities		189,168	158,555
Non-current liabilities			
Bank borrowings		9,888	5,742
Obligations under finance leases		9,373	8,149
Deferred tax liabilities		1,570	–
Provision for long service payments		776	776
		21,607	14,667
		167,561	143,888
Capital and reserves			
Share capital		23,640	23,640
Reserves		143,921	120,248
		167,561	143,888

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2005 (unaudited)

	Share capital *HKD'000*	Share premium *HKD'000*	Special reserve *HKD'000*	Negative goodwill *HKD'000*	Exchange reserve *HKD'000*	Retained profits *HKD'000*	Total *HKD'000*
At 1st April, 2004	23,640	5,987	32,680	1,232	343	108,990	172,872
Exchange differences arising on translation of overseas operations not recognised in consolidated income statement	–	–	–	–	452	–	452
Loss for the period	–	–	–	–	–	(2,383)	(2,383)
At 30th September, 2004	23,640	5,987	32,680	1,232	795	106,607	170,941
At 1st April, 2005							
As previously reported	23,640	5,987	32,680	1,232	493	79,856	143,888
Effect of adopting HKFRS 3	–	–	–	(1,232)	–	1,232	–
As restated	23,640	5,987	32,680	–	493	81,088	143,888
Exchange differences arising on translation of overseas operations not recognised in consolidated income statement	–	–	–	–	764	–	764
Profit for the period	–	–	–	–	–	22,909	22,909
At 30th September, 2005	23,640	5,987	32,680	–	1,257	103,997	167,561

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2005

	Six months ended 30th September,	
	2005	2004
	HKD'000	*HKD'000*
	(unaudited)	(unaudited)
Net cash generated from/(used in) operating activities	**13,099**	(42,844)
Investing activities		
Purchase of property, plant and equipment	**(34,621)**	(9,372)
Other investing cash flows	**299**	144
Net cash used in investing activities	**(34,322)**	(9,228)
Financing activities		
Bank borrowings raised, net	**19,867**	47,398
Other financing cash flows	**147**	(444)
Net cash generated from financing activities	**20,014**	46,954
Net decrease in cash and cash equivalents	**(1,209)**	(5,118)
Cash and cash equivalents at beginning of the period	**9,317**	15,712
Cash and cash equivalents at end of the period, represented by bank balances and cash	**8,108**	10,594

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2005

1. BASIS OF PREPARATION

The condensed 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 Hong Kong Limited and with Hong Kong Accounting Standards No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed 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 31st March, 2005, except that the HKICPA has issued new and revised Hong Kong Accounting Standards (HKAS) and Hong Kong Financial Reporting Standards (HKFRS) which became effective for accounting periods beginning on or after 1st January, 2005. Adoption of these new accounting standards impacts the Group's results of operations and financial position set out below:

(a) With the adoption of HKFRS 3 "Business Combinations" and its transitional provisions, negative goodwill previously recognised prior to 1st April, 2005 and credited to negative goodwill reserve was transferred to the opening balance of retained profits. As a result, the Group's opening retained profits as at 1st April, 2005 was increased by approximately HK$1,232,000 with the corresponding decrease in the negative goodwill reserve of approximately HK$1,232,000.

(b) The adoption of HKAS 17 "Leases" has resulted in a change in the accounting policy relating to leasehold land. In prior years, the leasehold land and buildings were accounted for as property, plant and equipment and carried at cost less accumulated depreciation, amortisation and impairment. Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land premiums, while leasehold buildings continue to be classified as part of the property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of land and buildings as a finance lease in property, plant and equipment.

    This change in accounting policy, which has no impact on the Group's income statement, has been applied retrospectively and 31st March, 2005 comparatives have been restated accordingly.

3. TURNOVER AND PROFIT/(LOSS) FOR THE PERIOD

The Group's turnover and profit/(loss) for the six months ended 30th September, 2005 and 30th September, 2004 by business segment (primary segment) are as follows:

	Turnover for the six months ended 30th September,		Profit/(loss) for the six months ended 30th September,	
	2005	2004	**2005**	2004
	HKD'000	*HKD'000*	***HKD'000***	*HKD'000*
Sales of knitted-to-shape garments	**225,471**	205,684	**24,109**	(1,616)
Sales of non knitted-to-shape garments	**1,952**	7,254	**201**	(2,008)
Subcontracting income	**9,160**	6,120	**525**	824
Less: Inter-segment transactions	**(6,591)**	–	**(1,200)**	–
	229,992	219,058	**23,635**	(2,800)
Other operating income			**2,127**	829
Profit/(loss) from operations			**25,762**	(1,971)
Finance costs			**(2,126)**	(412)
Share of results of an associate			**843**	–
Profit/(loss) before taxation			**24,479**	(2,383)
Income tax			**(1,570)**	–
Profit/(loss) attributable to shareholders			**22,909**	(2,383)

Inter-segment sales for the six months ended 30th September, 2005 from sub-contracting segment to sales of knitted-to-shape garments segment were charged at cost plus a percentage profit markup. There were no inter-segment sales during the six months ended 30th September, 2004.

The Group's turnover for the six months ended 30th September, 2005 by geographical market is as follows:

	Turnover Six months ended 30th September,	
	2005	2004
	HKD'000	*HKD'000*
United States of America	**207,032**	187,304
Asia	**6,431**	17,372
Europe	**10,324**	10,105
Australia	**1,147**	2,199
Others	**5,058**	2,078
	229,992	219,058

4. OTHER OPERATING INCOME

	Six months ended 30th September, 2005	2004
	HKD'000	*HKD'000*
Interest income	**130**	108
Sundry income	**1,997**	721
	2,127	829

5. PROFIT/(LOSS) FROM OPERATIONS

	Six months ended 30th September, 2005	2004
	HKD'000	*HKD'000*
Profit/(Loss) from operations has been arrived at after charging:		
Amortisation of prepaid land premiums	**81**	81
Depreciation and amortisation of property, plant and equipment	**7,886**	6,385
Allowance on inventories	**787**	–

6. FINANCE COSTS

The finance costs represent interest on amounts due to directors, implied interest on financing the acquisition of property, plant and equipment, interest on bank borrowings wholly repayable within five years and charges on finance leases.

7. INCOME TAX

The charge comprises deferred tax charge of approximately HK$1,570,000 (six months ended 30th September, 2004: HK$ Nil).

No provision for Hong Kong profits tax has been made (six months ended 30th September, 2004: HK$ Nil) as the estimated assessable profit for the period is wholly absorbed by tax losses brought forward.

8. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2005 (six months ended 30th September, 2004: HK$ Nil).

9. EARNINGS/(LOSS) PER SHARE

The calculation of earnings/(loss) per share is based on the Group's profit of HK$22,909,000 for the period (six months ended 30th September, 2004: loss of HK$2,383,000) and on 236,402,000 ordinary shares in issue (six months ended 30th September, 2004: 236,402,000 ordinary shares in issue).

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th September, 2005, the Group acquired property, plant and equipment at a cost of approximately HK$34,621,000 (six months ended 30th September, 2004: HK$39,486,000).

The net book value of property, plant and equipment includes an amount of HK$12,996,000 (31st March 2005: HK$10,882,000) in respect of assets held under finance leases.

11. TRADE DEBTORS

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

The following is an aging analysis of trade debtors:

	At 30th September, 2005	At 31st March, 2005
	HKD'000	*HKD'000*
0 – 30 days	**56,273**	9,110
31 – 60 days	**20,884**	2,006
61 – 90 days	**4,210**	230
> 90 days	**559**	861
	81,926	12,207

12. TRADE CREDITORS

The following is an aging analysis of trade creditors:

	At 30th September, 2005	At 31st March, 2005
	HKD'000	*HKD'000*
0 – 30 days	**9,735**	7,679
31 – 60 days	**13,889**	4,879
61 – 90 days	**6,968**	3,478
> 90 days	**1,439**	1,144
	32,031	17,180

13. OTHER CREDITORS AND ACCRUED CHARGES

Included in other creditors and accrued charges is an amount of HK$5,766,000 (31st March, 2005: HK$322,000) being payable in respect of the plant and machinery acquired during the period.

14. AMOUNTS DUE TO DIRECTORS

The balance comprises an amount of HK$10,000,000 which bears interest at commercial lending rates and an amount of HK$17,000,000 which bears interest at the interest rate for 6-months fixed deposit as quoted by the Hong Kong Monetary Authority from time to time. The balance is unsecured and has no fixed term of repayment.

15. CAPITAL COMMITMENTS

	At 30th September, 2005 HKD'000	At 31st March, 2005 HKD'000
Capital expenditure in respect of the acquisition of property, plant and equipment:		
Contracted but not provided for	–	27,328
Authorised but not contracted for	–	626
	–	27,954

16. PLEDGE OF ASSETS

At 30th September, 2005, bank deposits of approximately HK$1,007,000 and certain machinery with a net book value of approximately HK$3,255,000 (31st March, 2005: HK$3,506,000) were pledged to secure the banking facilities utilised by the Group.

17. RELATED PARTY TRANSACTIONS

Name of related party	Nature of transaction	Six months ended 30th September, 2005 HKD'000	2004 HKD'000
Pak Tak (Kwong Tai) Knitting Factory Limited ("Pak Tak Kwong Tai") *(Note a)*	Sales of goods *(Note c)*	6,139	6,844
	Interest income received *(Note d)*	107	101
	Letter of credit issued on behalf *(Note e)*	2,984	–
Admiralty Pty Limited *(Note b)*	Sales of goods *(Note c)*	55	12
Cheng Chi Tai and Cheng Kwai Chun, John	Interest expenses *(Note 14)*	159	–

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 of profit mark-up.

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

(e) No service fee has been charged to the associate for the letter of credit issued on behalf of this entity.