Pak Tak International Limited

百德國際有限公司

Stock Code: 2668

2006

Interim Report

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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, 2006.

The Directors are pleased to report a profitable period of operations for the six months ended 30th September, 2006. The positive result is a reflection of the Group's strategic approach to maintaining its image as a producer of quality, complex, and high value knitwear products. Since 2004, the Group has been building up its automated production capability by acquiring computerized knitting machinery that is useful for making more complex and better quality knitwear garments. Upon the build-up of this division, the Group then embarked on the sales and marketing strategy of promoting more of its automated production capability, directing more of its sales effort to obtaining orders that involve complex patterns and commanding higher prices. In the two years since 2004, with about 300 units of the computerized knitwear machinery, the Group has built the image of a strong producer that specializes in computerized knitting manufacturing.

Another effect of this business strategy is that sales orders for computerized knitting products tend to be more stable from month to month. As production and shipments can be spread out more evenly throughout the year, the Group is more capable of minimizing the problem of labor shortage in southern China, with better control of cost paid to sub-contractors. The Group believes that such factors will enable the Group to lessen the disparity in sales orders between its peak season and off-season. While its turnover was lower in the six month period ended 30th September, 2006 as compared to the same period in 2005 due to its preferences for more complex and higher value orders, the Group is confident that with the stable sales orders, the impact of seasonal fluctuation on its sales for the entire year will be immaterial when compared to previous year.

The Group strongly believes that in view of the demand for higher quality knitwear products and complex knitting patterns, it needs to continue to strengthen its production capacity of the automated production unit in order to meet the demands for higher value products. In the last few years, while business opportunities available to manufacturers in southern China have grown, the growth of business has been restrained by a number of factors, being limits in production capacity, higher labor and production costs, and competitive prices imposed by customers. The Group believes that strategically, such challenges are to be met by automating the production process. In the six month period ended 30th September, 2006, the Group acquired further computerized knitting machines. Operating with over 300 units of the computerized machinery at high capacity, the Group estimates that over the long run, its manufacturing cost will be reduced.

The Group believes that with the computerized knitting machinery providing the solution for its production capacity and cost control concerns, it is now well placed to look for sales opportunities that can fully utilize the production capacity. The Group is steadily increasing its direct sales force in both Hong Kong and the United States, with the view of obtaining orders from final customers. Since 2005, the Group has strengthened its sales team, adopted the policy of foregoing quantity of sales orders in favor of higher value ones, and spread out its sales to countries outside of the United States. Such policies are reflected in the sales profile of the Group in the current period under review.

Turnover

The Group's consolidated turnover for the six months ended 30th September, 2006 decreased by 6% to approximately HK$215 million, from HK$230 million for the corresponding period in 2005. The lower sales figure is a reflection of the Group's policy of giving up sales orders that are of lower value and concentrating on high value ones. As 2006 was the year of change-over of the sales strategy, the turnover dropped slightly as the full benefit of the policy slowly takes effect.

In the current period under review, the Group's sales to the United States dropped by 15% from HK$207 million for the period ended 30th September, 2005 to HK$176 million for the current period. In terms of percentage, sales to the United States markets made up 82% of the Group's turnover in the six months ended 30th September, 2006 (30th September, 2005: 90%). One of the reasons for the drop in sales to the United States is that the Group had diverted more of its production effort to serve a global customer whose sales orders covered not only sales to the United States but also shipments to other countries, such as Japan, Singapore, South Korea, etc., resulting in the increase in sales to the Asian countries from HK$6 million for the previous period to HK$19 million for the six months ended 30th September, 2006, compensating for the drop in the United States. In the current period, the Group's sales to various European Union countries also increased to HK$17 million (30th September, 2005: HK$10 million). As a result of the sales activities, the geographical segment of the Group's businesses is now more diversified. The Group believes that this is a positive approach in ensuring that its growth will be developed in a controlled manner.

Since the Group had ceased the non knitted-to-shape garment manufacturing in the previous financial year, during the current period under review, the Group concentrated its business entirely in knitted-to-shape garments.

Profitability

Compared to the same period in 2005, the Company's production cost in the six months ended 30th September, 2006 decreased slightly by 3% from HK$191 million to HK$186 million. Gross profit margin for the six months ended 30th September, 2006 was 14% whereas the margin for previous comparable period in 2005 was 17%. The main reason for the lower gross profit margin for 2006 is that due to the acquisition of the computerized knitting machinery, depreciation and amortisation charges have gone up since September 2005. With many of the new machinery coming into use at the end of the previous financial year, the installation costs and early training time for the computerized machinery led to lower profit margin for this period. The Group, however, believes that over the long run, profit margin will widen due to lower wages and sub-contracting charges.

In 2005, following China's ascendancy to the World Trade Organization, the US quota system for garment imports from China, the biggest geographical market for the Group's sales, was eliminated. However, as a result of vast expansion in imports from China, the quota system for a number of garment products from China was re-imposed. As a result of the re-introduction of quota, the Group incurred quota cost of about HK$1 million for the six month ended 30th September, 2006, as compared to no quota charge in the same period in 2005.

Save as for the increase in production cost, the Group's overall administrative expenses have been stable, as the Group is able to control and manage such expenses.

Liquidity and Financial Resources

As at 30th September, 2006, total amount of cash and bank balances of the Group were approximately HK$13 million, representing an increase of approximately 27% when compared to 30th September, 2005. Under its policy of controlled growth and stable sales, the Group managed to improve its regular cash flow such that its credit term of 30-60 days is strictly enforced. As a result, the Group's working capital position has improved remarkably. As at 30th September, 2006, net current assets were HK$38 million (31st March, 2006: HK$1 million). Most of the funds were held in Hong Kong dollars and US dollars.

The Group will continue to finance its operations with its operating cashflow and available banking facilities of over HK$88 million, out of which HK$31 million had been utilized as at 30th September, 2006. 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 51% as at 30th September, 2006 (31st March, 2005: 54%).

In the six months ended 30th September, 2006, the Group restructured its bank loans such that most of the loans are repayable over the period of one year or more, carrying interest at 5.6%. As interest rates remained at low level during the period, the Group's finance cost for the period amounted to HK$2 million (30th September, 2005: HK$2 million).

The Group's sales were principally denominated in United States dollars while purchases were transacted mainly in Hong Kong dollars, United States dollars, and to a lessor extent, the Chinese Yuan. With the fixed exchange rate between the Hong Kong and United States dollars, and the relative low percentage of expenditures made in the Chinese Yuan as compared with those made in the Hong Kong and United States dollars, 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, 2006 (30th September, 2005: HK$ Nil).

Charge on Group Assets

As at 30th September, 2006, certain machinery of the Group with a net book value of approximately HK$2.7 million (31st March, 2006: HK$3 million) was pledged to secure the banking facilities utilized by the Group.

Contingent Liabilities

As at 30th September, 2006, the Company had issued corporate guarantees to banks in connection with facilities granted to certain subsidiaries amounting to HK$1.7 million (31st March, 2006: 1.4 million).

Capital Expenditures and Commitments

As at 30th September, 2006, the Group incurred capital expenditure of HK$1 million (30th September, 2005: HK$34.6 million).

As at 30th September, 2006, the Group has committed to acquire more computerized knitting machinery for HK$6 million (31st March, 2006: HK$ Nil).

Employees and Remuneration Policies

As at 30th September, 2006, the Group had approximately 1,052 employees (31st March, 2006: 1,162). The Group's remuneration package is structured to commensurate with individual responsibilities, qualification, experience and performance.

Future Prospects

As common for the business of knitwear products, the Group's sales are subject to seasonal effects. The Group usually makes 2/3 of its sales in the first half of the year. For the current year, however, the Group's sales team has made their best effort to generate sufficient sales in the slow months in order to balance the profitability of the Group's business throughout the year. Based on the orders on hand subsequent to the end of 30th September, 2006, the Group is confident that seasonal fluctuation will not have any material adverse impact on its sales for the entire year.

Various economic forecasts have predicted slowdown in the United States consumer's markets. Anticipating the negative impact of such slowdown to its business, the Group is looking to strengthen its sales in Europe, especially in EU countries, in the coming months. In 2006, after setting up a sales representative office in the United States, the Group begins to gather the marketing expertise of approaching customers directly for sales. Such expertise may translate into sales in other regions. The Group plans to carry out research and analyses to see if such direct sales business model may be extended to Europe.

The Group intends to continue to strengthen its automated production division in order to expand its production capacity. The Group believes that there is an optimal mix of manually produced knitwear garments versus computerized machine made garments. This optimal level may be reached over a period of time. As such, the Group will continue to acquire computerized knitwear machinery when its circumstances require for them.

Directors' Interests in Securities

As at 30th September, 2006, 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 of Hong Kong Limited (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 of Hong Kong Limited (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) 40,314,280 *(Note 1)*	Corporate	17. 05%
	(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	1,955,430	Personal	0.82%

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, 2006, 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	40,314,280	approximately 17.05% *(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, 2006.

Corporate Governance Report

The Directors are pleased to report that throughout the six months period ended 30th September, 2006, the Company was in substantial compliance with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules. 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, 2006.

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, 2006.

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

On behalf of the Board
Cheng Chi Tai
Chairman

Hong Kong, 8th December, 2006

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, 2006.

BAKER TILLY HONG KONG LIMITED
Certified Public Accountants
Hong Kong, 8th December, 2006

Andrew David Ross
Practising Certificate number P01183

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2006

	Note	Six months ended 30th September, 2006 HKD'000 (unaudited)	2005 HKD'000 (unaudited)
Turnover	3	**215,472**	229,992
Cost of sales		**(185,694)**	(191,084)
Gross profit		**29,778**	38,908
Other operating income	4	**2,479**	2,127
Administrative expenses		**(14,406)**	(14,525)
Selling expenses		**(2,046)**	(748)
Profit from operations	5	**15,805**	25,762
Finance costs	6	**(2,368)**	(2,126)
Share of results of an associate		**893**	843
Profit before taxation		**14,330**	24,479
Income tax	7	**(1,046)**	(1,570)
Profit attributable to shareholders		**13,284**	22,909
Dividend	8	**–**	–
		HK cents	*HK cents*
Earnings per share	9	**6**	10

The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2006

	Note	At 30th September, 2006 HKD'000 (unaudited)	At 31st March, 2006 HKD'000 (audited)
Non-current assets			
Property, plant and equipment	10	159,041	164,822
Prepaid land premiums		7,648	7,688
Investment properties		3,284	3,173
Interest in an associate		2,295	1,402
		172,268	177,085
Current assets			
Inventories		44,528	41,532
Trade debtors	11	43,140	16,455
Other debtors, prepayments and deposits		6,418	7,652
Amount due from an associate		6,319	1,068
Bank balances and cash		13,169	10,372
		113,574	77,079
Current liabilities			
Trade creditors	12	32,626	12,180
Bills payable		861	1,833
Other creditors and accrued charges	13	9,175	16,541
Amounts due to minority shareholders of a subsidiary		2,918	2,840
Bank borrowings		26,125	39,778
Obligations under finance leases		4,058	2,668
		75,763	75,840
Net current assets		37,811	1,239
Total assets less current liabilities		210,079	178,324
Non-current liabilities			
Bank borrowings		25,198	10,170
Obligations under finance leases		8,095	5,481
Amounts due to directors	14	17,000	17,000
Deferred tax liabilities		1,172	126
Provision for long service payments		803	803
		52,268	33,580
		157,811	144,744
Capital and reserves			
Share capital		23,640	23,640
Reserves		134,171	121,104
		157,811	144,744

The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2006

	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, 2005							
As previously stated	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	81,888	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
At 1st April, 2006	23,640	5,987	32,680	–	549	81,888	144,744
Exchange differences arising on translation of overseas operations not recognised in consolidated income statement	–	–	–	–	(217)	–	(217)
Profit for the period	–	–	–	–	–	13,284	13,284
At 30th September, 2006	23,640	5,987	32,680	–	332	95,172	157,811

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2006

	Six months ended 30th September, 2006 HKD'000 (unaudited)	2005 HKD'000 (unaudited)
Net cash generated from operating activities	**6,981**	13,099
Investing activities		
Purchase of property, plant and equipment	**(1,287)**	(34,621)
Other investing cash flows	**5**	299
Net cash used in investing activities	**(1,282)**	(34,322)
Financing activities		
Bank borrowings raised, net	**1,375**	19,867
Other financing cash flows	**(4,277)**	147
Net cash (used in)/generated from financing activities	**(2,902)**	20,014
Net increase/(decrease) in cash and cash equivalents	**2,797**	(1,209)
Cash and cash equivalents at beginning of the period	**10,372**	9,317
Cash and cash equivalents at end of the period, represented by bank balances and cash	**13,169**	8,108

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2006

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, 2006. The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards. For those which are effective for the accounting periods beginning on or after 1st January, 2006, the adoption has no material impact on the Group's operating results and financial position; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group's operating results and financial position.

3. TURNOVER AND PROFIT FOR THE PERIOD

The Group's turnover and profit for the six months ended 30th September, 2006 by business segment (primary segment) are as follows:

	Turnover for the six months ended 30th September,		**Profit for the six months ended 30th September,**	
	2006	2005	**2006**	2005
	HKD'000	*HKD'000*	***HKD'000***	*HKD'000*
Sales of knitted-to-shape garments	**212,458**	225,471	**14,331**	24,109
Sales of non knitted-to-shape garments	**–**	1,952	**–**	201
Subcontracting income	**11,209**	9,160	**196**	525
Less: Inter-segment transactions	**(8,195)**	(6,591)	**(1,201)**	(1,200)
	215,472	229,992	**13,326**	23,635
Other operating income			**2,479**	2,127
Profit from operations			**15,805**	25,762
Finance costs			**(2,368)**	(2,126)
Share of results of an associate			**893**	843
Profit before taxation			**14,330**	24,479
Income tax			**(1,046)**	(1,570)
Profit attributable to shareholders			**13,284**	22,909

Inter-segment sales for the six months ended 30th September, 2006 from sub-contracting segment to sales of knitted-to-shape garments segment were charged at cost plus a percentage profit markup.

3. TURNOVER AND PROFIT FOR THE PERIOD *(Continued)*

The Group's turnover for the six months ended 30th September, 2006 by geographical market is as follows:

	Turnover Six months ended 30th September,	
	2006	2005
	HKD'000	*HKD'000*
United States of America	**175,575**	207,032
Asia	**19,410**	6,431
Europe	**16,751**	10,324
Australia	**393**	1,147
Others	**3,343**	5,058
	215,472	229,992

4. OTHER OPERATING INCOME

	Six months ended 30th September,	
	2006	2005
	HKD'000	*HKD'000*
Exchange gains	**1,386**	–
Interest income	**130**	130
Sundry income	**963**	1,997
	2,479	2,127

5. PROFIT FROM OPERATIONS

	Six months ended 30th September,	
	2006	2005
	HKD'000	*HKD'000*
Profit from operations has been arrived at after charging:		
Amortisation of prepaid land premiums	**90**	81
Depreciation and amortisation of property, plant and equipment	**7,779**	7,886
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$1,046,000 (six months ended 30th September, 2005: HK$1,570,000).

No provision for Hong Kong profits tax has been made (six months ended 30th September, 2005: 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, 2006 (six months ended 30th September, 2005: HK$ Nil).

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit of HK$13,284,000 for the period (six months ended 30th September, 2005: HK$22,909,000) and on 236,402,000 ordinary shares in issue (six months ended 30th September, 2005: 236,402,000 ordinary shares in issue).

Diluted earnings per share is not 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, 2006, the Group acquired property, plant and equipment at a cost of approximately HK$1,287,000 (six months ended 30th September, 2005: HK$34,621,000).

The net book value of property, plant and equipment includes an amount of HK$13,311,000 (31st March, 2006: HK$9,017,000) 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, 2006 *HKD'000*	At 31st March, 2006 *HKD'000*
0 – 30 days	**33,747**	9,117
31 – 60 days	**4,529**	613
61 – 90 days	**380**	1,296
> 90 days	**4,484**	5,429
	43,140	16,455

12. TRADE CREDITORS

The following is an aging analysis of trade creditors:

	At 30th September, 2006 HKD'000	At 31st March, 2006 HKD'000
0 – 30 days	**13,208**	8,457
31 – 60 days	**9,731**	2,302
61 – 90 days	**7,289**	1,040
> 90 days	**2,398**	381
	32,626	12,180

13. OTHER CREDITORS AND ACCRUED CHARGES

Included in other creditors and accrued charges as at 31st March, 2006 was an amount of HK$5,766,000 being payable for plant and machinery.

14. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are unsecured and have no fixed term of repayment. Interest was charged at the interest rate for 6-month fixed deposits as quoted by the Hong Kong Monetary authority from time to time. The Group has an understanding with these directors that it will not be required to repay any part of the amounts due in the next 12 months.

15. PLEDGE OF ASSETS

At 30th September, 2006, certain machinery with a net book value of approximately HK$2,763,000 (31st March, 2006: HK$3,015,000) has been pledged to secure the banking facilities utilised by the Group.

16. CAPITAL COMMITMENTS

	At 30th September, 2006	At 31st March, 2006
Capital expenditure in respect of the acquisition of property, plant and equipment:		
Contracted but not provided for	**5,530,000**	–
Authorised but not contracted for	**–**	–
	5,530,000	–

17. CONTINGENT LIABILITIES

At 30th September, 2006, the Group had contingent liabilities in respect of bank guarantees of approximately HK$1,656,000 (31st March, 2006: HK$1,364,000) issued in favour of third parties.

18. RELATED PARTY TRANSACTIONS

Name of related party	Nature of transaction	Six months ended 30th September, 2006 HKD'000	2005 HKD'000
Pak Tak (Kwong Tai) Knitting Factory Limited ("Pak Tak Kwong Tai") *(Note a)*	Sales of goods *(Note c)*	**7,800**	6,139
	Interest income received *(Note d)*	**86**	107
	Commission paid *(Note e)*	**194**	–
	Letters of credit issued on behalf *(Note f)*	**–**	2,984
Admiralty Pty Limited *(Note b)*	Sales of goods *(Note c)*	**–**	55
Cheng Chi Tai and Cheng Kwai Chun, John	Interest expenses *(Note 14)*	**177**	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, 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) Commission paid was calculated at the agreed rate on sales amount.

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