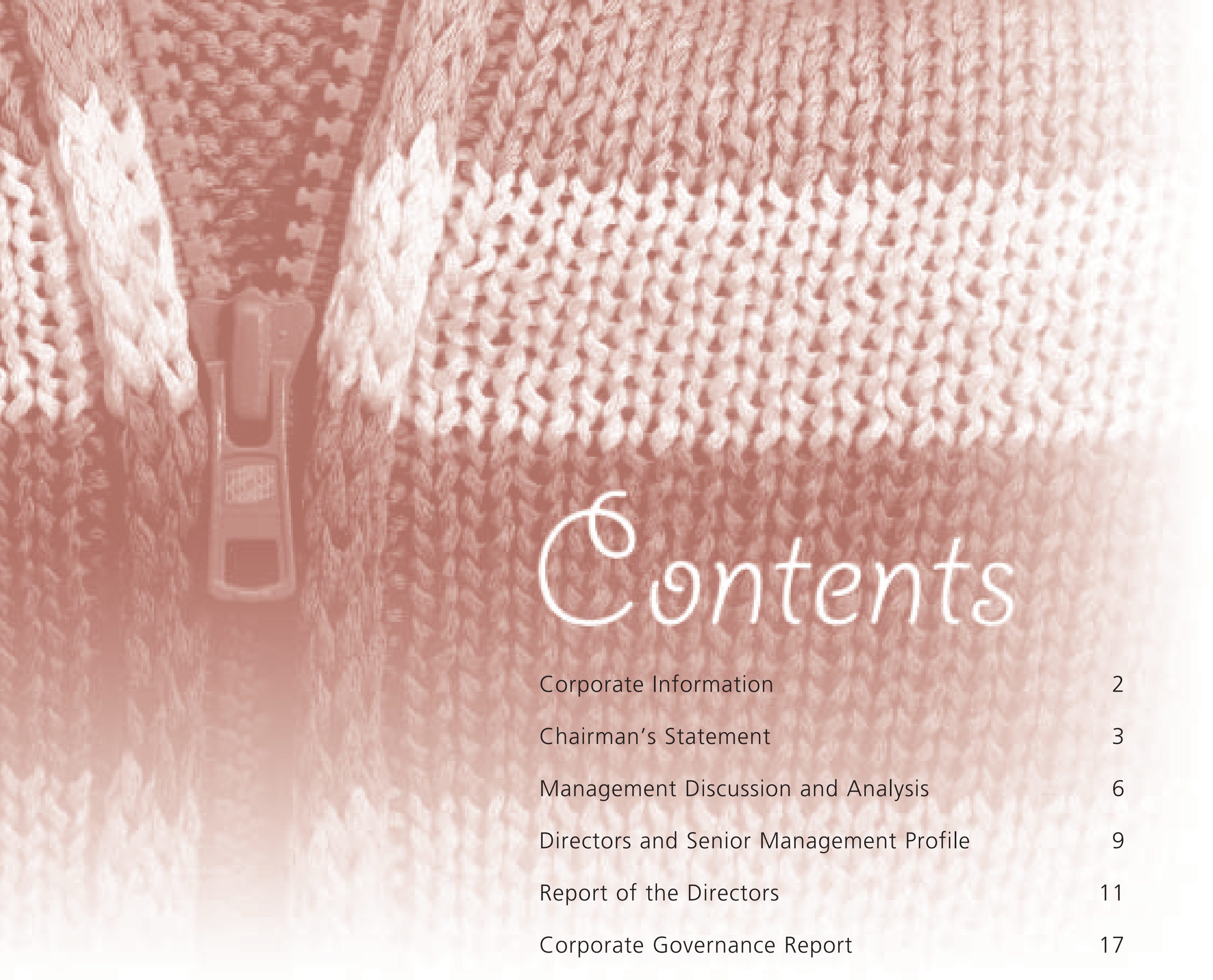
Annual Report 2007

Pak Tak International Limited

stock code: 2668



Contents

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Cheng Kwai Chun, John *(Chief Executive Officer)*
Mr. Lin Chick Kwan
Mr. Lin Wing Chau

NON-EXECUTIVE DIRECTOR

Mr. Victor Robert Lew *(Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Ko Hay Yin, Karen
Mr. Chow Chan Lum
Ms. Ho Man Yee, Esther

COMPANY SECRETARY

Ms. Chan Sui Chee, Priscilla, ACS, ACIS

QUALIFIED ACCOUNTANT

Mr. Chan Kwok Ming, CPA, ACCA, MBA, MABE

AUTHORISED REPRESENTATIVES

Mr. Victor Robert Lew
Mr. Cheng Kwai Chun, John

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 404-411, 4th Floor
Fanling Industrial Centre
21 On Kui Street
On Lok Tsuen
Fanling, New Territories
Hong Kong

AUDITORS

Baker Tilly Hong Kong Limited
Certified Public Accountants
12th Floor, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

NOMINATION COMMITTEE MEMBERS

Ms. Ko Hay Yin, Karen
Mr. Chow Chan Lum
Ms. Ho Man Yee, Esther
Mr. Cheng Kwai Chun, John

REMUNERATION COMMITTEE MEMBERS

Ms. Ko Hay Yin, Karen
Mr. Chow Chan Lum
Ms. Ho Man Yee, Esther
Mr. Cheng Kwai Chun, John

AUDIT COMMITTEE MEMBERS

Ms. Ko Hay Yin, Karen
Mr. Chow Chan Lum
Ms. Ho Man Yee, Esther

STOCK CODE

The shares of Pak Tak International Limited are listed for trading on the main board of The Stock Exchange of Hong Kong Limited (stock code: 2668)

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Chong Hing Bank Limited

PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

Standard Registrars Limited (name to be changed to Tricor Standard Limited on 1 August 2007)
Level 25, Three Pacific Place
1 Queen's Road East
Hong Kong

WEBSITE

www.paktak.com

Dear Shareholders,

On behalf of the board of directors (the "**Directors**") of Pak Tak International Limited (the "**Company**"), I am pleased to present the annual results of the Company and its subsidiaries (together the "**Group**") for the financial year ended 31 March 2007.

COMMEMORATION

This Annual Report is dedicated to the memory of our founder and late Chairman, Mr. Cheng Chi Tai, who passed away in January 2007. If the success of the Group can be attributed to one person, it would be the late Mr. Cheng.

Started with a few basic knitting machines, Mr. Cheng had parlayed the business into a substantial operation with thousands of workers operating at a factory compound that occupies over 50,000 square meters of land in Dongguan, PRC. Mr. Cheng always operated his business with vision. He foresaw the growth potential of China and was one of the earlier industrialists to set up in southern China in the 1980's. He invested substantially to build the current factory site, making the Group one of the larger knitwear manufacturers in China. He expanded to Thailand, and later to Vietnam. He pressed ahead to get the Group listed on the Hong Kong Stock Exchange in 2001. Sensing the labor shortage in southern China, he initiated the bold steps of converting the Group into a more automated factory by investing in computerized knitting machinery. The business acumen, steady hand, work ethics, knowledge of the business, and forward thinking ability are the strong attributes of Mr. Cheng that built the Group.

The succession management team left by Mr. Cheng is also emblematic of his vision. By insisting that his son, Mr. Cheng Kwai Chun, John, to join the Group and become his understudy in the late 1990's, Mr. Cheng ensured that the continuity of the Group is assured. Today, as the Chief Executive Officer, Mr. John Cheng is well prepared to press ahead with the development plans that the late Mr. Cheng had set in motion. The experience, skills, knowledge, and dedication of the management team led by Mr. John Cheng is well qualified to continue with the guiding principles that have worked to bring the Group over 20 years of success. These guiding principles are:

– Maintaining the image of a top quality producer;

– Providing value added products to customers;

– Taking care of its human capital.

This very fundamental approach to business of Mr. Cheng has sprung years of success of the Group; it provides a sound basis for the management team from which to achieve new milestones.

The term "crisis" in Chinese encompasses the words "danger" and "opportunity". This combination describes aptly the predicament of the Group. There is no denial that Mr. Cheng will be missed. On the other hand, the management would like to see this as an opportunity of renewal, to adapt to changes in the business environment, and to seek the best means of meeting with the expectations of and the guiding principles set by the late Mr. Cheng.

The Board of Directors would seek the support of all members of the Group – from our Shareholders to all levels of managers to ancillary staff in Hong Kong and to each worker in China – to work toward the goal of making the Group a success story that the late Mr. Cheng would have been proud.

BUSINESS REVIEW

This year, the Group continued with the turnaround effort that had begun in 2004. I am pleased to report that for the year ended 31 March 2007, the Group had increased both its turnover and net profit, to HK$352 million and HK$1 million respectively. Despite the appreciation of Renminbi in recent years, the Group's profit margin increased for the year ended 31 March 2007 as compared to previous year. The results reflect the Group's success in automating its production process by introducing computerized knitting machinery which enables the Group to divert more of its resources to produce high-end products with higher unit price while at the same time, control the labor cost which has increased quite substantially in recent years due to the labor shortage in southern China and the appreciation of Renminbi. The management feels that the automation process is a sensible one in that, given the increase in cost of production from labor charges to raw materials to energy cost, the Group must ensure that all customer orders provide for a certain minimum gross margin. This strategy enables the Group to focus its sales on higher-end products and customers that value quality work, and to ensure that its operations, working with a streamed down workforce, is capable of maintaining high quality and meeting shipment dates. This strategy has enabled the Group to achieve solid results.

Throughout the year, the Group's automated production units approached full capacity. As a percentage of sales, the computerized knitting machinery division was generating over 32% of all sales of the Group. With the further acquisition of such machinery in early and mid-2007, the Group looks to strengthen its automated production capacity. Since 2004 when the Group began to buy the first computerized knitting machine, the investments have turned out to be fruitful and successful. In recent years, the labor shortage problem in southern China has worsened every year. On the average, the Group has operated with at least 500 fewer workers as compared to previous year. Without the computerized knitting machinery, the Group would have incurred higher labor cost. The Group also would have to rely extensively on sub-contractors to complete its orders. In the past, such subcontracting charges have caused significant increase in the Group's production cost, not to mention leading to quality control and production planning problems. With the computerized knitting machinery, the Group is able to sidestep the labor shortage problem and better control its labor and subcontracting charges and improved its gross margin.

RESULT HIGHLIGHTS

The highlights of the results for the year ended 31 March 2007:

- Turnover increased by 3% to HK$352 million from HK$342 million for the year ended 31 March 2006;
- Net profit for the year was HK$1 million, as compared to HK$0.8 million for the year ended 31 March 2006;
- Earnings per share for the year were HK0.4 cent, as compared to HK0.3 cent for the year ended 31 March 2006;
- The Group's net current asset position at 31 March, 2007 was HK$3 million, as compared to HK$1 million at 31 March 2006, representing a current ratio of 1.06 (2006: 1.02).

LOOKING FORWARD

While the Group has achieved two consecutive years of profit, the pressure on the Group's profit margin continues to be high given the overall economic and business environment of operating in China. In order to sustain its profitability, the Group will continue to grow at a controlled level, increasing its market share for more high-end and high-value products, utilizing its automated production capacity, and focusing on quality and value added services. The Group will continue to leverage on its skill level, its expertise in knit-wear manufacturing, and its quality production ability to maintain sales and production level. By consolidating its base, the management believes that it is well prepared to withstand constant changes in the business world.

The investment in computerized knitting machinery is also setting the Group apart from smaller competitors that do not have the resources to acquire such a large volume of the machinery and have the physical capacity to accommodate the machinery. With the improvement in the quality of its knitwear garments, and in consolidating its image as a leading automated production enterprise, the Group will become a premier product manufacturer in high-end knitwear products.

On behalf of the Board, I would like to take this opportunity to extend my sincere thanks and appreciation to all our shareholders for their support, to our customers, suppliers, and business partners for their trust and confidence, and to the management and staff for their outstanding efforts and dedication.

Victor Robert Lew
Chairman

Hong Kong, 12 July 2007

ANALYSIS OF RESULTS

Turnover

The Group's turnover for the year ended 31 March 2007 increased by 3% to approximately HK$352 million from HK$342 million for the previous year. This is another year in which the Group achieved an increase in sales. Even though the year on year increase over the last few years has not been large, the consistent growth represents the success of automating the production process that the Group has adopted since 2004. One of the positive development of the Group's turnover in the year ended 31 March 2007 was that in the interim report for the six months ended 30 September 2006, the Group reported a drop in sales of 6%. Due to a more balance sales effort throughout the year, the Group's sales in the off-peak season of December to March improved over the previous year, resulting in an overall increase in sales for the entire year.

Throughout the year, the Group's automated production division approached full capacity. Sales of products made by computerized knitting machinery now come to 32% of total sales of the Group. As the capacity of the automated production division strengthens, the Group has developed the image of being a maker of complex knitwear garments using computerized knitting machinery. This brand positioning enables the Group to command higher profit margins in its sales.

While sales to US customers have remained the major market of the Group, relative to the total sales, sales to US in the year ended 31 March 2007 came to 81% of the total sales of the Group, representing a decrease of 8% over the previous year. This change in the Group's geographic allocation of sales is caused by the Group's effort in serving customers with worldwide distribution network. The geographic diversification will drive the Group's sales to reach to more countries, reducing its reliance on US market.

Profitability

The Group recorded a profit of HK$1 million for the year ended 31 March 2007, representing an increase in 30% over the previous year. One of the major improvements achieved by the Group in the year was to improve its gross margin. As a reflection of its focus on high value, complex knitwear garments and controlled cost policy, the Group had improved its gross margin from 9% in the year ended 31 March 2006 to 11% in the year ended 31 March 2007. This improvement in controlling direct cost is more remarkable in light of the continuing rise in cost of raw materials due to the high cost of energy, and the increase in labor cost at a result of the persistent labor shortage in southern China. In 2006 and 2007, labor cost in southern China has risen by at least 10% – this comes after an average of 10-15% rise in the previous year. At the same time, the Group was unable to fulfill its workers quota for the optimal labor force. Against these odds, the Group was still able to control its production cost and minimize its sub-contracting charges. These successes must be attributed to the increasing use of the automated knitting machinery in place of the manual ones. The Group would not have achieved such improvement in production cost without the automated knitting machinery.

During the year ended 31 March 2007, there were three items of expenditures that reduced the Group's net profit. The first one was a provision for bad debt for approximately HK$2 million that arose from one slow paying customer. The Group is continuing to negotiate with the customer and feels that it will be able to recover a substantial portion of the outstanding debt. To be prudent, the Group feels that provision would reflect the likelihood of conceding on the collection of part of the debt from such customer. Secondly, during the year, the Group also incurred quota expenditure of approximately HK$1.9 million. This expenditure arose as a result of many foreign markets putting pressure on Chinese manufacturers to self-regulate in controlling the import of cheaper products into those markets. Thirdly, during the year, the Group also incurred approximately HK$2 million in sales commission. Such sales commission enabled the Group to achieve higher sales in its off-peak season. Of these expenditures, the first item may be considered of a non-recurring nature, while the second item may become less significant as the price of products made in China becomes more expensive due to the rise in Renminbi.

One very stable expenditure item in the Group's operation over the year is the general and administrative expenditure in the head office in Hong Kong. Such expenditures have been maintained at the level of approximately HK$30 million for many years. This is a reflection of the Group's relentless drive to control cost.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2007, total amount of cash and bank balances of the Group were approximately HK$11 million, representing an increase of 8% when compared to 31 March 2006. 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 31 March 2007, net current assets were HK$3 million (31 March 2006: HK$1 million).

In the year ended 31 March 2007, the Group acquired property, plant and equipment totaling HK$23 million. Due to the significant capital expenditures, the Group's use of banking facilities reached HK$72 million. In addition, the Group also received advances of HK$17 million in aggregate from one of its directors and the former Chairman. The Group has available banking facilities totaling HK$113 million (31 March 2006: HK$107 million) which were secured by corporate guarantees given by the Company. The Group's gearing ratio computed as total borrowings over shareholders' fund was 49% as at 31 March 2007 (31 March 2006: 54%).

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 production facilities, are denominated in the Chinese Renminbi. In 2006, the Chinese government changed its policy regarding the alignment of the Renminbi relative to the US dollars. However, in terms of the Group's expenditures that are denominated in the Renminbi as compared to its overall purchases in Hong Kong and US dollars, and in view of the minor adjustments expected to the Renminbi 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.

DIVIDENDS

The Directors have resolved not to recommend the payment of any dividend for the year ended 31 March 2007 (31 March 2006: nil).

CHARGE ON GROUP ASSETS

As at 31 March 2007, certain machinery of the Group with an aggregate value of approximately HK$2 million (31 March 2006: approximately HK$3 million) was pledged to secure the banking facilities utilized by the Group.

CONTINGENT LIABILITIES

At 31 March 2007, the Group had contingent liabilities in respect of bank guarantees of approximately HK$1,648,000 (2006: HK$1,364,000) issued in favour of third parties.

At 31 March 2007, the Company had issued corporate guarantees to banks and other financial institutions in connection with facilities granted to certain of its subsidiaries amounting to approximately HK$146 million (2006: HK$65 million).

In the opinion of the Directors, the fair values of the financial guarantee contracts of the Group and the Company are insignificant at initial recognition and the Directors consider the possibility of default of the parties involved is remote, accordingly, no value has been recognised in the balance sheet.

CAPITAL EXPENDITURES AND COMMITMENTS

During the year ended 31 March 2007, the Group had incurred capital expenditures of HK$23 million (2006: HK$37 million). There were no capital commitments outstanding as at 31 March 2007 (2006: outstanding commitment was nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2007, the Group had approximately 389 (2006: 1,057) employees. The Group's remuneration package is structured to commensurate with individual responsibilities, qualification, experience and performance.

FUTURE PROSPECTS

The Group's current management is dedicated to upholding the overall business principles and strategies as set down by its former Chairman, the late Mr. Cheng Chi Tai. One of the primary strategies that has served the Group well in the last few years is automating its production process. The Directors will ensure that this strategy continues. The Group believes that in this competitive market of more manufacturers in China vying for sales to global customers, with ever changing business circumstances such as increase in cost of raw materials and labor, the Group must tread cautiously in order not to over-extend itself.

The Group recognizes that many customers are now diverting their purchases to inland China or to other countries in the Asian region, including India and Vietnam. As the Group has carried out production operations in other sites in western China and in Vietnam before, it is aware of the prospects presented by those regions, but also their limitations. Having the experience of setting up production facilities in different places inside China and other countries, the Group is confident that at the right time, it can reenter those areas and expand the production means.

The Directors continue to believe the Group's future lies with the computerized knitting machinery. In June, 2007, the Group has placed orders for another shipment of such machinery, bring to the total count of the machinery to well over 300 units. The management strongly believes that with the difficulty in operating with a large labor force, it has come to the point where higher capital investment makes for a sounder investment strategy in China. Facing a work force that is more spread out, less willing to indulge in manual labor, more educated, and commanding higher wages, manufacturers in China must follow the natural progression of industrialization and become more automated. The Group is fortunate in being able to follow the trend of industrialization given its resources and skills. The Group is committed to consolidate its brand image as a strong producer of high quality, high value, complex knitwear manufacturer and build on its strength as a leader in this field.

EXECUTIVE DIRECTORS

Mr. CHENG Kwai Chun, John, aged 35, is the Chief Executive Officer of the Company. He obtained a degree in science from the University of New South Wales, Australia, and a Master degree in Finance from the RMIT University, Australia. Mr. Cheng was also awarded the "Professional Diploma in Corporate Governance and Directorship" by Hong Kong Productivity Council and The Hong Kong Institute of Directors and a diploma in business management by the Hong Kong Management Association. Mr. Cheng joined the group in 1996 and is responsible for business development and overall day-to-day management and operations of the Group.

Mr. LIN Chick Kwan, aged 48, is a brother of Mr. Lin Chik Wai (who is a member of the senior management) and a cousin of Mr. Lin Wing Chau. Mr. Lin is responsible for the production operations of the Group in the PRC and Hong Kong. He joined the Group in 1980 and had over 20 years experience in knitwear and garment manufacturing, and particularly in hand-knitted garments.

Mr. LIN Wing Chau, aged 50, joined the Group in 1977. Mr. Lin is a cousin of Mr. Lin Chick Kwan and is responsible for the sales and distribution operations of the Group. He has over 20 years of experience in knitwear and garment manufacturing business.

NON-EXECUTIVE DIRECTOR

Mr. Victor Robert LEW, aged 51, is an independent non-executive director of Sincere Watch (Hong Kong) Limited, an independent non-executive director and chairman of the audit committee of Pacific Andes International Holdings Limited, both are companies listed on The Stock Exchange of Hong Kong Limited. Mr. Lew is currently a director of a corporation of practicing certified public accountants in Hong Kong. He has over 20 years of experience in corporate assurance advisory, taxation, and corporate finance consulting. Mr. Lew is graduated with a bachelor of commerce degree from the University of British Columbia, Canada. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a practicing certified public accountant in Hong Kong and a chartered accountant of Canadian Institute of Chartered Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. KO Hay Yin, Karen, aged 54, has been the director of Kaiban Limited since 1990, a management consultancy practice in Hong Kong. Ms. Ko was preciously the chief executive officer and an executive director of Goldwiz Holdings Limited (formerly known as Hong Kong Toy Centre International Limited) whose shares are listed on the Stock Exchange. Ms. Ko has been in the toy manufacturing industries for over 20 years. She graduated from The Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in 1975 and obtained a master degree in business administrative in 1987 from the University of Macau (formerly known as the University of East Asia).

Mr. CHOW Chan Lum, aged 56, is a partner of Wong Brothers & Company, Certified Public Accountants. Mr. Chow is a member of Foreign Experts Consultative Committee on China Independent Auditing Standards, Finance Ministry, PRC and serves on a number of committees of the Hong Kong Institute of Certified Public Accountants including Auditing & Assurance Standards Committee, Investigation Panel and Professional Standards Monitoring Committee. He also carries duties in a variety of functional and social organizations, and is currently a member of the People's Political Consultative Committee, Guangdong Province, PRC and a council member of the Hong Kong Academy for Performing Arts.

Ms. HO Man Yee, Esther, aged 34, received a bachelor of law degree and a post-graduate certificate in laws from The University of Hong Kong. She was admitted as a solicitor of the Hong Kong SAR in 1998. She has been in active practice since admission and is now an assistant solicitor of a law firm.

SENIOR MANAGEMENT

Mr. CHAN Kwok Ming, aged 46, is the qualified accountant and financial controller of the Group. Mr. Chan graduated from the Hong Kong Polytechnic University with a Bachelor of Arts Honors Degree in Accountancy. He is also an associate member of the Hong Kong Institute of Certified Public Accountants, associate member of ACCA, member of Association of Business Executive and is awarded the master degree in business administration (MBA). Mr. Chan joined the Company in September 2006 and worked in many multi-national and large companies in both Hong Kong and China. He has more than 20 years' experience in administration and financial field especially more than 11 years' experience in garment manufacturing field. Mr. Chan is responsible for the whole Group's financial management, management information system includes ERP system, company finance and investment matters.

Ms. IP Yee Ching, aged 38, is responsible for handling all external corporate communications, public affairs and media interviews. Ms. Ip joined the Group in 1998 and has over 8 years of experience in corporate communication.

Ms. CHENG Lai Shan, Lisa, aged 38, heads the human resources and administration functions of the Group and is a sister of Mr. Cheng Kwai Chun, John. Ms. Cheng is responsible for personnel management, general office administration and staff training. She joined the Group in July 1992.

Ms. POON Kam Ping, aged 39, is responsible for the overall garments production process of the Group. Ms. Poon joined the Group in 1987 and has over 10 years of experience in the garment trading.

Mr. LIN Chik Wai, aged 50, is a brother of Mr. Lin Chick Kwan and a cousin of Mr. Lin Wing Chau (both being executive Directors). Mr. Lin is responsible for logistics of the Group. Mr. Lin joined the Group in February 1982.

The Directors present their report and the audited financial statements of the Group for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its subsidiaries and an associate are principally engaged in the manufacture, on an OEM basis, and trading of men's, ladies' and children's knitted-to-shape garments mainly to the Untied States and Europe. Details of the principal activities of the Company's subsidiaries and associate are set out in notes 16 and 17 respectively to the financial statements.

There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

The segment information of the Group for the year ended 31 March 2007 is set out in note 36 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2007, the five largest customers of the Group together accounted for approximately 72% of the Group's total turnover, with the largest customer accounted for approximately 28% of the Group's total turnover. The aggregate purchases attributable to the Group's five largest suppliers was approximately 38% of the total purchase of the Group for the year ended 31 March 2007, with the largest supplier accounted for approximately 10% of the Group's total purchase.

At no time during the year did any Director, any associate of a Director, or any shareholder of the Company, which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital, had any beneficial interests in the Group's five largest customers and suppliers mentioned above.

RESULTS

Details of the results of the Group for the year ended 31 March 2007 are set out in the consolidated income statement on page 23 of this Annual Report.

FINANCIAL SUMMARY

A financial summary of the Group for the past five financial years is set out on page 57 of this Annual Report.

RESERVES

Movements in reserves of the Group during the year are set out on page 26 of this Annual Report.

BORROWINGS

The Group has bank borrowings and obligations under finance leases totaling HK$53 million at 31 March 2007.

CHARITABLE DONATIONS

No charitable donations were made by the Group for the year ended 31 March 2007.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group's additions to property, plant and equipment amounted to HK$23 million.

Movements in the property, plant and equipment of the Group for the year ended 31 March 2007 are set out in note 13 to the financial statements.

SHARE CAPITAL

Details in the share capital of the Company are set out in note 28 to the financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this Annual Report were:

Executive directors

Mr. Cheng Chi Tai (ceased to be a director and the Chairman on 25 January 2007)
Mr. Cheng Kwai Chun, John
Mr. Lin Chick Kwan
Mr. Lin Wing Chau

Non-executive director

Mr. Victor Robert Lew (appointed as the Non-executive director and the Chairman on 15 March 2007)

Independent non-executive directors

Ms. Ko Hay Yin, Karen
Mr. Chow Chan Lum
Ms. Ho Man Yee, Esther

Each of the independent non-executive Directors is not appointed for a specific term but is subject to retirement in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Bye-laws of the Company.

Each of the independent non-executive Directors has confirmed to the Company his or her independence pursuant to the Listing Rules and the Company considers that each of them is independent.

In accordance with the Bye-laws of the Company, Mr. Victor Robert Lew, Mr. Lin Chick Kwan, Mr. Lin Wing Chau and Ms. Ho Man Yee, Esther will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

The biographical details of Directors and senior management are set on pages 9 to 10 of this Annual Report.

DIRECTORS' INTERESTS IN SECURITIES

At 31 March 2007, the interests and short positions of each Director and chief executive of the Company and their 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 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 Kwai Chun, John	120,840,000 *(Note 1)*	Discretionary Object	51.11%
Mr. Lin Wing Chau	1,955,430	Personal	0.82%

Note:

1. 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.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a shareholders' resolution passed on 9 November 2001 for the primary purpose of providing incentives to directors and eligible employees of the Group and will be valid and effective for a period of 10 years commencing on the date on which the Scheme became unconditional. Under the Scheme, the Board may grant options to eligible full time employees of the Group, including any executive and non-executive directors of the Company and its subsidiaries, to subscribe for share in the Company, at a price equal to the higher of: (1) the nominal value of the share; or (2) the average closing prices of the shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of grant of the options; or (3) the closing price of the share as stated in the Stock Exchange's daily quotations on the date of grant of the options, which must be a business day.

Options granted must be taken up not later than 28 days after the date of grant of the option. The exercise period for the share options granted is determinable by the Directors, which may not expire later than 10 years from the date of grant. In the absence of such determination, the exercise period would commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Scheme. A price of HK$1 is payable by the grantee upon acceptance of the grant of option under the Scheme.

Shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option scheme of the Company must not in aggregate exceed 22,800,000 shares of the Company, being 10% of the shares in issue upon completion of the share offer and the capitalization issue as stated in the prospectus of the Company dated 23 November 2001 (the "Prospectus") issued in relation to the initial public offering exercise of the Company and the listing of shares on the main board of the Stock Exchange.

Unless approved by shareholders of the Company, the total number of shares of the Company issued and to be issued upon exercise of the options granted to each participant (including both exercised and unexercised options) under the Scheme or any other share option scheme of the Company in any 12-month period must not exceed 1% of the shares of the Company in issue on the date of grant.

No options under the Scheme were granted or exercised during the year and there were no outstanding options at 31 March 2007.

No options may be granted under the Scheme after the date of the tenth anniversary of the adoption of the Scheme.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from disclosed under the headings "Directors' Interests in Securities" and "Share Option Scheme" above, at no time during the year was the Company, or its subsidiaries, a party to any arrangement to enable the Directors and their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No director has, or at any time during the year had, any interest, in anyway, directly or indirectly, in any contract with the Company or its subsidiaries which was significant in relation to the business of the Company.

CONNECTED TRANSACTIONS

No transaction was entered into between Group and Admiralty Pty. Ltd. during the year. Admiralty Pty. Ltd. is wholly owned by the sister of Mr. Cheng Kwai Chun, John, and her husband.

The Group carried out sub-contracting work for Real Company Limited and the sub-contracting income received therefrom amounted to approximately HK$331,000, representing approximately 8% of the total sub-contracting income of the Group during the year. Real Company Limited is beneficially owned as to 100% by a substantial shareholder of a subsidiary of the Company.

The independent non-executive directors have reviewed the aforesaid connected transactions and confirmed that:

(i) the transactions have been entered into by the Company in the ordinary and usual course of its business;

(ii) the transactions have been conducted either (a) on normal commercial terms or (b) where there are not sufficient comparable transactions to judge whether they are no normal commercial terms, on terms no less favourable to the Company than terms available from independent third parties; and

(iii) the transactions have been entered into in accordance with the agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors have also reviewed the aforesaid connected transactions and confirmed that:

(i) the transactions have received the approval of the Company's board of directors;

(ii) the transactions are in accordance with the pricing policies as stated in the relevant agreements governing the transactions;

(iii) the transactions have been entered into in accordance with the agreements governing the transactions; and

(iv) the transactions have not exceeded the cap disclosed in the announcement of the Company dated 29 July 2004.

COMPETING INTERESTS

At 31 March 2007, none of the Directors had any interest in a business which competed or may compete with the business of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2007, so far as was known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Number of shares interested (long position)	Capacity	Approximate percentage of the issued share capital of the Company
HSBC International Trustee Limited	120,840,000	Trustee	51.11% *(Note 1)*
Best Ahead Limited	40,314,280	Beneficial	17.05% *(Note 2)*

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 Kwai Chun, John.

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. Such shares now form part of the estates of Mr. Cheng Chi Tai following his decease and are pending distribution by the executor. The director of Best Ahead Limited is 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.

Other than as disclosed above, none of the Directors or chief executives of the Company were aware of any other persons having interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO as at 31 March 2007.

As at 31 March 2007, so far as known to any Director or chief executives of the Company, the following persons (other than members of the Group) 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 meetings of any other member of the Group or in any options in respect of such capital:

Name of Owner	Name of Subsidiary	Percentage of Equity Interests
Ms. Amy Pik Sin	Pak Tak Knitting & Garment Factory (Thailand) Company Limited	10%
Mr. Nakorn Phisitchoowong	Pak Tak Knitting & Garment Factory (Thailand) Company Limited	10%
Ms. Janphen Phisitchoowong	Pak Tak Knitting & Garment Factory (Thailand) Company Limited	10%

Other than as disclosed above, the Directors and chief executives of the Company were not aware of any persons (other than members of the Group) who 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 meetings of any other member of the Group or in any options in respect of such capital as at 31 March 2007.

AUDITORS

Deloitte Touche Tohmatsu acted as auditors of the Company up to and including the year ended 31 March 2005. Deloitte Touche Tohmatsu resigned on 14 November 2005 and Baker Tilly Hong Kong Limited was appointed as the auditors of the Company on 14 November 2005. Baker Tilly Hong Kong Limited audited the Company's accounts for the years ended 31 March 2006 and 31 March 2007 respectively.

A resolution will be submitted to the forthcoming Annual General Meeting of the Company to re-appoint Baker Tilly Hong Kong Limited as auditors of the Company.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

On behalf of the Board
Cheng Kwai Chun, John
Chief Executive Officer

Hong Kong, 12 July 2007

The Directors are pleased to report that throughout the year ended 31 March 2007, 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 the code of conduct rules (the "**Model Code**") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code in the year ended 31 March 2007.

BOARD OF DIRECTORS

The board of Directors (the "**Board**") comprises seven members, of which three members are executive Directors, one member is non-executive Director and three members are independent non-executive Directors. Biographical details of the Directors are set up on pages 9 to 10 of this Annual Report.

The Board supervises the management of the business and affairs of the Group. It has established self-regulatory and monitoring mechanisms to ensure that effective corporate governance is practiced. The Board oversees the Group's overall strategic plans, approves major funding and investment proposals and reviews the financial performance of Group.

The Board meets regularly and additional meeting are convened when deemed necessary by the Board. Board members are provided with complete, adequate and timely information to allow the Directors to fulfill their duties properly.

The Chairman and Chief Executive Officer of the Company perform separate functions to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. Mr. Lin Chick Kwan is the cousin of Mr. Lin Wing Chau. Save and except for this relation, the Directors are not otherwise related to each other.

DIRECTOR'S ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Director	Board	Audit	Remuneration	Nomination
Mr. Cheng Kwai Chun, John	3/3	2/2	1/1	1/1
Mr. Lin Chick Kwan	2/3	N/A	N/A	N/A
Mr. Lin Wing Chau	2/3	N/A	N/A	N/A
Mr. Victor Robert Lew (appointed on 15 March 2007)	1/3	N/A	N/A	N/A
Ms. Ko Hay Yin, Karen	0/3	1/2	0/1	0/1
Mr. Chow Chan Lam	2/3	2/2	1/1	1/1
Mr. Ho Man Yee, Esther	2/3	2/2	1/1	1/1

BOARD COMMITTEES

Nomination Committee

The Nomination Committee was formed on 23 March 2005. The terms of reference of the Nomination Committee include making recommendations for all appointment and re-appointment of Directors to the Board. It comprises of four members, three of whom are independent non-executive Directors. The members are:

Ms. Ko Hay Yin, Karen *(independent non-executive Director)*
Mr. Chow Chan Lum *(independent non-executive Director)*
Ms. Ho Man Yee, Esther *(independent non-executive Director)*
Mr. Cheng Kwai Chun, John *(executive Director)*

The Nomination Committee has established a formal and transparent process for the Company in the appointment of new Director and re-nomination and re-election of Directors at regular intervals. It is also responsible for determining the independence of each Director and conducting formal assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board. In evaluating in Board's performance, the Nomination Committee considers a number of factors, including those set out in the Code.

The Nomination Committee convened a meeting on 14 March 2007 to review the appointment of Mr. Cheng Kwai Chun, John, as Chief Executive Officer, Mr. Victor Robert Lew as non-executive Director and Chairman of the Board of Directors, and Ms. Priscilla Chan as Company Secretary.

In accordance with the Company's Bye-laws, Mr. Victor Robert Lew, Mr. Lin Chick Kwan, Mr. Lin Wing Chau and Ms. Ho Man Yee, Esther will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election. Other than Ms. Ko Hay Yin, Karen, none of the independent non-executive Directors has served as Directors for more than five years.

Remuneration Committee

The Remuneration Committee was formed on 23 March 2005. The Remuneration Committee consists of a majority of independent non-executive Directors and its members are:

Ms. Ko Hay Yin, Karen *(independent non-executive Director)*
Mr. Chow Chan Lum *(independent non-executive Director)*
Ms. Ho Man Yee, Esther *(independent non-executive Director)*
Mr. Cheng Kwai Chun, John *(executive Director)*

The Remuneration Committee is charged with the responsibility of determining the specific remuneration packages of all executive Directors and senior management, including benefits-in-kind, pension rights, and compensation payments, and to advise the Board on the remuneration of the independent non-executive Directors. In developing remuneration polices and making recommendation as to the remuneration of the Directors and key executives, the Remuneration Committee takes into account of the performance of the Group as well as those individual Directors and key executives.

The Remuneration Committee met on 14 March 2007 to review and approve the salary structure of senior management.

ACCOUNTABILITY AND AUDIT

The Directors have acknowledged by executing a management representation letter with the Auditors that they bear the ultimate responsibility of preparing the financial statements of the Group.

Audit Committee

The Audit Committee was formed on 9 November 2001 to review and supervise the financial reporting process and internal control of the Company. The Audit Committee comprises of three members, all of whom are independent non-executive Directors. The members are:

Ms. Ko Hay Yin, Karen *(independent non-executive Director)*
Mr. Chow Chan Lum *(independent non-executive Director)*
Ms. Ho Man Yee, Esther *(independent non-executive Director)*

The Audit Committee has reviewed with management and auditors of the Company the accounting principles and practices adopted by the Group and discussed the audited financial statements for the year ended 31 March 2007.

The amount of audit fee for the year ended 31 March 2007 was HK$440,000 (2006: HK$480,000). Non-audit fees paid to the auditors of the Company for the year ended 31 March 2007 was HK$100,000 (2006: HK$0).

The Audit Committee has recommended to the Board of Directors that Baker Tilly Hong Kong Limited, a corporation of Certified Public Accountants, be nominated for re-appointment as auditors of the Company at the forthcoming annual general meeting of the Company.

INTERNAL CONTROLS

Management had implemented a system of internal controls to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are complied with, reliable financial information are provided for management and publication purpose and investment and business risks affecting the Group are identified and managed.

The Board reviews the effectiveness of the Group's material internal controls. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory.

SHAREHOLDERS' RIGHT

The Company is in regular and effective communication with shareholders. It strives for timeliness and transparency in its disclosures to the shareholders and the public.

Shareholders are given the opportunity to participate and vote in shareholders' meetings. According to Bye-law 58 of the Bye-Laws of the Company, shareholder holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meeting of the Company shall have the right to require a special general meeting to be called by the Board.

BAKER TILLY
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REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF PAK TAK INTERNATIONAL LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Pak Tak International Limited set out on pages 23 to 56 which comprise the consolidated and company balance sheets as at 31st March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of principal accounting policies and other explanatory notes.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

RESPONSIBILITIES OF AUDITORS

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31st March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 12 July, 2007

Andrew David Ross
Practising Certificate number P01183

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	4	**352,151**	341,810
Cost of sales		**(314,890)**	(310,736)
Gross profit		**37,261**	31,074
Other operating income	5	**4,587**	5,271
Administrative expenses		**(32,666)**	(30,179)
Selling expenses		**(6,075)**	(2,548)
Profit from operations	6	**3,107**	3,618
Finance costs	8	**(4,160)**	(4,094)
Share of results of an associate		**2,139**	1,402
Profit before taxation		**1,086**	926
Income tax	9	**(50)**	(126)
Profit attributable to shareholders		**1,036**	800
Dividend	11	**–**	–
		HK cent	*HK cent*
Earnings per share	12	**0.4**	0.3

CONSOLIDATED BALANCE SHEET

At 31 March 2007

	Notes	**2007** **HK$'000**	2006 HK$'000
Non-current assets			
Property, plant and equipment	13	**175,202**	164,822
Prepaid land premiums	14	**7,622**	7,688
Investment properties	15	**3,855**	3,173
Interest in an associate	17	**3,541**	1,402
		190,220	177,085
Current assets			
Inventories	18	**34,146**	41,532
Trade debtors	19	**8,470**	16,455
Other debtors, prepayments and deposits		**3,951**	7,652
Amount due from an associate	20	**4,581**	1,068
Bank balances and cash		**11,163**	10,372
		62,311	77,079
Current liabilities			
Trade creditors	21	**10,899**	12,180
Bills payable		**5,095**	1,833
Other creditors and accrued charges		**12,376**	16,541
Amounts due to minority shareholders of a subsidiary		**3,314**	2,840
Bank borrowings	22	**23,074**	39,778
Obligations under finance leases	23	**4,136**	2,668
		58,894	75,840
Net current assets		**3,417**	1,239
Total assets less current liabilities		**193,637**	178,324
Non-current liabilities			
Bank borrowings	22	**19,631**	10,170
Obligations under finance leases	23	**6,001**	5,481
Amounts due to directors	24	**8,500**	17,000
Other long term loan	25	**8,500**	-
Deferred tax liability	26	**176**	126
Provision for long service payments	27	**885**	803
		43,693	33,580
		149,944	144,744
Capital and reserves			
Share capital	28	**23,640**	23,640
Reserves		**126,304**	121,104
		149,944	144,744

The financial statements on pages 23 to 56 were approved and authorised for issue by the Board of Directors on 12 July, 2007 and are signed on its behalf by:

Victor Robert Lew
Director

Cheng Kwai Chun, John
Director

BALANCE SHEET

At 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current asset			
Investments in subsidiaries	*16*	**113,303**	113,303
Current assets			
Other debtors, prepayments and deposits		**185**	137
Amounts due from subsidiaries	*16*	**30,627**	30,499
Bank balances and cash		**15**	147
		30,827	30,783
Current liability			
Accrued charges		**423**	320
Amounts due to subsidiaries	*16*	**24**	24
		447	344
Net current assets		**30,380**	30,439
		143,683	143,742
Capital and reserves			
Share capital	28	**23,640**	23,640
Reserves	30	**120,043**	120,102
		143,683	143,742

Victor Robert Lew
Director

Cheng Kwai Chun, John
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2007

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (note)	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st April, 2005	23,640	5,987	32,680	493	81,088	143,888
Exchange differences arising on translation of overseas operations not recogniesd in consolidated income statement	–	–	–	56	–	56
Profit for the year	–	–	–	–	800	800
At 31st March, 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	–	–	–	4,164	–	4,164
Profit for the year	–	–	–	–	1,036	1,036
At 31st March, 2007	23,640	5,987	32,680	4,713	82,924	149,944

Note: The special reserve of the Group mainly represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the shares of the Company and Addlink Limited issued for the acquisition at the time of the group reorganisation in 2001 and the share premium of Addlink Limited arising from issue of shares of Addlink Limited in connection with the debt assignment.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2007

	2007 HK$'000	2006 HK$'000
Operating activities		
Profit from operations	**3,107**	3,618
Adjustments for:		
Provision for long service payments	**82**	27
Interest income	**(238)**	(300)
Provision for inventories	**644**	787
Impairment loss on trade debtors	**2,011**	–
Write back of impairment loss on amount due from an associate	**(2,099)**	–
Loss on disposal of property, plant and equipment	**38**	459
Depreciation of property, plant and equipment	**16,279**	15,992
Amortisation of prepaid land premiums	**180**	179
Exchange realignment	**47**	(262)
Operating profit before working capital changes	**20,051**	20,500
Movements in working capital elements:		
Inventories	**6,742**	(3,740)
Trade debtors	**5,974**	(4,248)
Other debtors, prepayments and deposits	**3,701**	(4,286)
Amount due from an associate	**(1,414)**	1,140
Trade creditors	**(1,281)**	(5,000)
Bills payable	**3,262**	172
Other creditors and accrued charges	**1,601**	7,790
Cash generated from operations	**38,636**	12,328
Interest received	**238**	300
Net cash generated from operating activities	**38,874**	12,628
Investing activities		
Purchase of property, plant and equipment	**(23,089)**	(36,533)
Proceeds from disposal of property, plant and equipment	**52**	299
Net cash used in investing activities	**(23,037)**	(36,234)
Financing activities		
New bank borrowings raised	**53,486**	234,869
Repayments of bank borrowings	**(60,729)**	(220,500)
Interest paid	**(4,160)**	(4,094)
Capital element of finance leases rental payments	**(3,778)**	(2,614)
Advances from directors	**–**	17,000
Net cash (used in)/generated from financing activities	**(15,181)**	24,661
Net increase in cash and cash equivalents	**656**	1,055
Cash and cash equivalents at beginning of the year	**10,372**	9,317
Effect of foreign exchange rate changes	**135**	–
Cash and cash equivalents at end of the year, represented by bank balances and cash	**11,163**	10,372

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal office in Hong Kong is located at Units 404 – 411, 4th Floor, Fanling Industrial Centre, 21 On Kui Street, On Lok Tsuen, Fanling, New Territories, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture of and trading in knit-to-shape and non knit-to-shape garments.

2. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKASs") and Interpretation ("HK (SIC)- Ints") (collectively the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and futures periods if the revision affect both current and future periods.

During the year, the Group adopted the following new HKFRSs issued by the HKICPA, which are effective for accounting periods commencing on or after 1st December, 2005/1st January, 2006/1st March, 2006:

HKAS 19 (Amendment)	Employee benefits – Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	The effect of changes in foreign exchange rates – Net investment in a foreign operation
HKAS 39 (Amendment)	Cash flow hedges of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 and HKFRS 4 (Amendments)	Financial instruments: Recognition and measurement and insurance contracts – Financial guarantee contracts
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS – Int 4	Determining whether an arrangement contains a lease
HKFRS – Int 5	Rights to interests arising from decommissioning, restoration and environment rehabilitation funds
HK(IFRIC) – Int 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment
HK(IFRIC) – Int 7	Applying the restatement approach under HKAS 29 – Financial reporting in hyperinflationary economies

The adoption of these new HKFRSs did not result in substantial changes to the accounting policies and the methods of computation used in the financial statements. As there is no material effect on the results for the current or prior accounting periods, no prior period adjustment is required.

2. BASIS OF PRESENTATION *(Continued)*

As at the date of this report, the following standards and interpretations were in issue but not yet effective:

HKAS 1 (Amendment)	*Note a*	Capital disclosures
HKFRS 7	*Note a*	Financial instruments: Disclosures
HKFRS 8	*Note b*	Operating segments
HK(IFRIC) – Int 8	*Note c*	Scope of HKRS 2
HK(IFRIC) – Int 9	*Note d*	Reassessment of embedded derivatives
HK(IFRIC) – Int 10	*Note e*	Interim financial reporting and impairment
HK(IFRIC) – Int 11	*Note f*	HKFRS 2 – Group and treasury share transactions
HK(IFRIC) – Int 12	*Note g*	Service concession arrangements

Note a: *effective for annual periods beginning on or after 1st January, 2007*
Note b: *effective for annual periods beginning on or after 1st January, 2009*
Note c: *effective for annual periods beginning on or after 1st May, 2006*
Note d: *effective for annual periods beginning on or after 1st June, 2006*
Note e: *effective for annual periods beginning on or after1st November, 2006*
Note f: *effective for annual periods beginning on or after 1st March, 2007*
Note g: *effective for annual periods beginning on or after 1st January, 2008*

The Group has commenced considering the potential impact of the above new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its result of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions, balances and unrealised gains within the Group are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or associate at the effective date of acquisition. Goodwill is included in intangible assets and interests in associates at cost less accumulated impairment losses and is subject to impairment testing at least annually.

Goodwill is allocated to each cash-generating unit for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment.

Gains or losses on disposal on an entity include the carrying amount of goodwill relating to the entity sold.

Any excess of the Group's share of the net assets of the acquired subsidiary or associate over the cost of an acquisition is recognised immediately in the income statement.

(c) Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Sub-contracting income is recognised when services are rendered.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

(d) Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Leases where the lessor substantially retains all the risks and rewards of ownership of assets are accounted for as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement on the straight – line basis over the lease periods.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are recognised in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

(f) Retirement benefit costs

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong and has joined a number of defined contribution pension schemes organised by the local governments in The People's Republic of China and Thailand for certain of their employees. The assets of these schemes are held separately from those of the Group in independently administered funds. Contributions are charged to the income statement as they became payable in accordance with the rules of the schemes.

(g) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred.

(h) Taxation

Income tax represents the sum of the tax currently payable, together with deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Taxation – continued

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(i) Temporary textile quota entitlement

The cost of temporary textile quota entitlement is charged to the income statement at the time of utilisation.

(j) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation, amortisation and impairment losses.

Construction in progress is carried at cost less any identified impairment loss. Depreciation of this asset, on the same basis as other property assets, commences when the asset is ready for its intended use.

Depreciation and amortisation is provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives, using the straight line method, at the following rates per annum:

Freehold land	Nil
Buildings	Over the shorter of the term of leases or 50 years
Leasehold improvements	Over the remaining term of the relevant leases
Plant and machinery	12.5% to 25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

(k) Prepaid lease payments for leasehold land

Prepaid lease payments for leasehold land are up-front payments to acquire fixed term interests in lessee-occupied land. The premiums are stated at cost and are amortised over the period of the lease on a straight-line basis to the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Investment properties

Properties that are held for long term rental yields or for capital appreciation or both are classified as investment properties. These include land held for a currently undetermined future use.

Investment properties are stated at cost less accumulated deprecation and impairment losses. Deprecation is provided to write off the cost of investment properties over their estimated useful lives using the straight line method.

The gain or loss arising from the retirement or disposal of an investment property, representing the difference between the net disposal proceeds and the carrying amount of the relevant asset, is recognised in the income statement.

(m) Impairment

Assets that have an indefinite useful life are not subject to amortisation. Such assets are tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in respect of the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement except where the asset is carried at valuation, in which case the reversal of impairment loss is treated as a revaluation increase.

(n) Subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

(o) Associate

The consolidated income statement includes the Group's share of the post-acquisition results of its associate for the year. In the consolidated balance sheet, the interest in the associate is stated at the Group's share of the net assets of the associate, and any goodwill on acquisition of the associate.

When the Group transacts with its associate, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditures. Net realisable value is determined on the basis of anticipated sales proceeds less estimated costs of completion and selling expenses.

(q) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms, or where the effect of discounting would not be material. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

(r) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would not be material, in which case they are stated at cost.

(s) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

(t) Financial guarantees

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the beneficiary of the guarantee for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Where the company issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised over the terms of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when (i) it becomes probable that the holder of the guarantee will call upon the company under the guarantee, and (ii) the amount of that claim on the company is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, ie the amount initially recognised, less accumulated amortisation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Long service payments

The Group's obligation under long service payments recognised in the balance sheet is determined using the projected unit credit method, with actuarial valuation being carried out at each balance sheet date.

Past service cost is recognised immediately to the extent that the benefits have already been vested.

(v) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

4. TURNOVER

Turnover represents the amounts received and receivable for goods sold and sub-contracting services provided to outside customers during the year and is analysed as follows:

	2007	2006
	HK$'000	*HK$'000*
Sales of goods	**348,060**	335,753
Sub-contracting income	**4,091**	6,057
	352,151	341,810

5. OTHER OPERATING INCOME

	2007	2006
	HK$'000	*HK$'000*
Bad debts recovered	**–**	328
Exchange gains, net	**516**	195
Interest income	**238**	300
Management fee	**–**	2,740
Sundry income	**1,734**	1,708
Write back of impairment loss on amount due from an associate	**2,099**	–
	4,587	5,271

6. PROFIT FROM OPERATIONS

	2007	2006
	HK$'000	*HK$'000*
Profit from operations has been arrived at after charging:		
Amortisation of prepaid land premiums	**180**	179
Auditors' remuneration	**457**	415
Cost of temporary textile quota entitlements	**1,900**	495
Depreciation of property, plant and equipment	**16,279**	15,992
Impairment loss on trade debtors	**2,011**	–
Loss on disposal of property, plant and equipment	**38**	459
Minimum lease payments under operating leases		
– rented premises	**936**	563
– plant and machinery	**4,126**	1,980
Provision for inventories	**644**	787
Staff costs including directors' remuneration		
– salaries, wages and allowances	**89,580**	90,751
– retirement benefit costs – defined contribution schemes	**779**	901

7. REMUNERATION OF DIRECTORS AND EMPLOYEES

Details of directors' remuneration for the year ended 31st March, 2007 are set out below:

	Fees	**Salaries and other benefits**	**Retirement benefit scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Cheng Chi Tai	–	1,149	11	1,160
Cheng Kwai Chun, John	–	773	12	785
Lin Chick Kwan	–	807	12	819
Lin Wing Chau	–	807	12	819
Non-executive directors				
Lew Victor Robert	–	11	–	11
Independent non-executive directors				
Ko Hay Yin, Karen	40	–	–	40
Chow Chan Lum	40	–	–	40
Ho Man Yee, Esther	40	–	–	40
Total	120	3,547	47	3,714

7. REMUNERATION OF DIRECTORS AND EMPLOYEES *(Continued)*

Details of directors' remuneration for the year ended 31st March, 2006 are set out below:

	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Cheng Chi Tai	–	898	12	910
Cheng Kwai Chun, John	–	768	12	780
Lin Chick Kwan	–	807	12	819
Lin Wing Chau	–	807	12	819
Independent non-executive directors				
Ko Hay Yin, Karen	40	–	–	40
Chow Chan Lum	40	–	–	40
Ho Man Yee, Esther	40	–	–	40
Total	120	3,280	48	3,448

Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2006: four) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining individual were as follows:

	2007	2006
	HK$'000	*HK$'000*
Salary and other benefits	**306**	399
Performance related incentive payments	**195**	77
Retirement benefit scheme contributions	**12**	12
	513	488

7. REMUNERATION OF DIRECTORS AND EMPLOYEES *(Continued)*

The emoluments of the remaining highest paid individual were within the following band:

	No. of persons	
	2007	2006
Nil – HK$1,000,000	**1**	1

During the year, no emoluments were paid by the Group to the other directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the year.

8. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Implied interest on financing the acquisition of property, plant and equipment	**174**	1,666
Interest on bank borrowings wholly repayable within five years	**3,042**	1,668
Interest on amounts due to directors	**380**	417
Interest on other long term loan	**40**	–
Finance charges on finance leases	**524**	343
	4,160	4,094

9. INCOME TAX

The charge represents deferred tax charge of approximately HK$50,000 (2006: HK$126,000) (Note 26).

No provision for Hong Kong Profits Tax has been made in the financial statements for both years as the companies in the Group either have no assessable profits or have estimated tax losses.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2007	2006
	HK$'000	*HK$'000*
Profit before taxation	**1,086**	926
Less: Profit of an associate	**(2,139)**	(1,402)
	(1,053)	(476)
Tax credit at Hong Kong Profits Tax rate of 17.5%	**(184)**	(83)
Tax effect of expenses not deductible for tax purpose	**3,408**	2,654
Tax effect of income not taxable	**(3,962)**	(3,242)
Tax effect of tax losses not recognised	**1,316**	1,408
Utilisation of tax losses previously not recognised	**(528)**	(611)
Income tax charge for the year	**50**	126

10. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$59,000 (2006: HK$146,000).

11. DIVIDEND

No dividend was paid or proposed during the year, nor has any dividend been proposed since the balance sheet date (2006: nil).

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on profit for the year of HK$1,036,000 (2006: HK$800,000) and on 236,402,000 (2006: 236,402,000) ordinary shares in issue during the year.

The diluted earnings share has not been presented as there were no potential dilutive ordinary shares in existence during the two years ended 31st March, 2007.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP							
COST							
At 1st April, 2005	113,832	11,653	63,636	6,081	8,037	463	203,702
Exchange realignment	240	21	184	6	10	5	466
Additions	1,753	1,605	32,717	296	162	–	36,533
Transfers	373	95	–	–	–	(468)	–
Eliminated on disposals	–	(1,263)	(622)	(302)	(479)	–	(2,666)
At 31st March, 2006	116,198	12,111	95,915	6,081	7,730	–	238,035
Exchange realignment	4,046	181	1,596	123	181	-	6,127
Additions	–	484	22,148	457	–	–	23,089
Eliminated on disposals	–	–	(214)	(74)	(30)	–	(318)
At 31st March, 2007	120,244	12,776	119,445	6,587	7,881	–	266,933
DEPRECIATION AND IMPAIRMENT							
At 1st April, 2005	16,917	4,368	25,619	4,853	7,166	–	58,923
Exchange realignment	61	8	123	6	8	–	206
Provided for the year	2,716	935	11,307	605	429	–	15,992
Eliminated on disposals	–	(803)	(378)	(248)	(479)	–	(1,908)
At 31st March, 2006	19,694	4,508	36,671	5,216	7,124	–	73,213
Exchange realignment	713	123	1,347	110	174	–	2,467
Provided for the year	3,031	637	11,713	556	342	–	16,279
Eliminated on disposals	–	–	(136)	(62)	(30)	–	(228)
At 31st March, 2007	23,438	5,268	49,595	5,820	7,610	–	91,731
NET BOOK VALUE							
At 31st March, 2007	96,806	7,508	69,850	767	271	–	175,202
At 31st March, 2006	96,504	7,603	59,244	865	606	–	164,822

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

An analysis of the net book value of the Group's land and buildings is set out below:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Under medium term leases		
Hong Kong	**5,742**	5,889
The People's Republic of China ("Mainland China")	**74,055**	75,785
Freehold		
Thailand	**17,009**	14,830
	96,806	96,504

The net book value of motor vehicles and the plant and machinery includes an amount of HK$59,000 (2006: HK$174,000) and HK$12,066,000 (2006: HK$8,843,000) respectively in respect of assets held under finance leases.

14. PREPAID LAND PREMIUMS

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
COST		
Beginning of the year	**9,010**	8,959
Exchange realignment	**118**	51
End of the year	**9,128**	9,010
AMORTISATION		
Beginning of the year	**1,322**	1,142
Exchange realignment	**4**	1
Provided for the year	**180**	179
End of the year	**1,506**	1,322
CARRYING AMOUNT	**7,622**	7,688

14. PREPAID LAND PREMIUMS *(Continued)*

The prepaid land premiums relate to the Group's interests in leasehold land and land use rights analysed as follows:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Under medium term leases		
Hong Kong	**3,004**	3,081
Mainland China	**4,618**	4,607
	7,622	7,688

15. INVESTMENT PROPERTIES

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
AT COST		
Beginning of the year	**3,173**	3,150
Exchange realignment	**682**	23
End of the year	**3,855**	3,173

The investment properties comprise various parcels of freehold land (known as Land Nos. 2, 8, 50, 51, 72 and 137) located at Highway No. 201, Chongsammor Sub-district, Kengkror District, Chaiyaphum Province, Thailand. In the opinion of the directors, the fair value of the investment properties is approximately HK$13,000,000.

16. SUBSIDIARIES

	THE COMPANY	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**187,890**	187,890
Less: Impairment loss	**(74,587)**	(74,587)
	113,303	113,303
Amounts due from subsidiaries	**30,627**	30,499
Amounts due to subsidiaries	**24**	24

16. SUBSIDIARIES *(Continued)*

The cost of the unlisted shares is based upon the book value of the underlying net assets of the subsidiaries as at the date on which they were acquired by the Company at the time of the group reorganisation in 2001, after deducting the dividends received by the Company from the profits of certain subsidiaries before the group reorganisation.

An impairment loss of HK$74,587,000 (2006: HK$74,587,000) was recognised based upon the directors' estimation on the net recoverable amount of the investments in subsidiaries.

The balances with subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

Particulars of the subsidiaries of the Company as at 31st March, 2007 are as follows:

Name of subsidiary	Place of incorporation or registration	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital held by the Company	Principal activities
Addlink Limited	British Virgin Islands	US$62,000	100%	Investment holding
Pak Tak Holdings (Hong Kong) Limited	Hong Kong	HK$10,000	100%	Investment holding
Pak Tak Knitting & Garment Factory Limited	Hong Kong	HK$3,000,000	100%	Manufacture of and trading in knit-to-shape and non knit-to-shape garments
Pak Tak Knitting & Garment Factory (Thailand) Company Limited	Thailand	Baht20,000,000	60%	Manufacture of knit-to-shape garments
Rich Source Limited	Hong Kong	HK$10,000	100%	Provision for administrative services
Richtime Knitting Limited	Hong Kong	HK$10,000	100%	Manufacture of knit-to-shape garments

16. SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or registration	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital held by the Company	Principal activities
普寧市百德針織有限公司	Mainland China	HK$17,000,000	100%	Manufacture of knit-to-shape garments
永州健泰毛織品有限公司	Mainland China	US$1,000,000	100%	Manufacture of knit-to-shape garments
Pak Tak (America) Inc.	U.S.A	US$10	100%	Promotion and exhibition

All of the above subsidiaries, except for Addlink Limited, are indirectly held by the Company. All subsidiaries operate principally in their respective place of incorporation or registration. 普寧市百德針織有限公司 and永州健泰毛織品有限公司 are wholly foreign owned enterprises. None of the subsidiaries had issued any debt securities at the end of the year.

17. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Share of net assets	**3,541**	1,402

Particulars of the Group's associate as at 31st March, 2007 are as follows:

Name of associate	Place of incorporation and operation	Proportion of nominal value of issued capital held by the Group	Principal activities
Pak Tak (Kwong Tai) Knitting Factory Limited ("Pak Tak Kwong Tai")	Hong Kong	49%	Trading in knitwear and other apparel products

17. INTEREST IN AN ASSOCIATE *(Continued)*

An extract of the operating results and financial position of the Group's associate, based upon its financial statements for the year ended 31st March, 2007, is as follows:

	2007	2006
	HK$'000	*HK$'000*
Operating results		
Turnover	**112,289**	59,497
Profit before taxation	**5,368**	4,287
Tax charge	**(1,001)**	(14)
Profit after taxation	**4,367**	4,273
Group's share of profit after taxation	**2,139**	1,402
Financial position		
Non-current assets	**5,160**	2,620
Current assets	**20,773**	8,861
Current liabilities	**(18,468)**	(8,489)
Non-current liabilities	**(238)**	(132)
Net assets	**7,227**	2,860
Group's share of net assets	**3,541**	1,402

18. INVENTORIES

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Raw materials	**16,935**	18,540
Work in progress	**10,581**	18,612
Finished goods	**6,630**	4,380
	34,146	41,532

19. 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:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**1,386**	9,117
31 – 60 days	**3,192**	613
61 – 90 days	**1,101**	1,296
Over 90 days	**4,802**	5,429
	10,481	16,455
Less: Impairment loss	**(2,011)**	–
	8,470	16,455

20. AMOUNT DUE FROM AN ASSOCIATE

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Interest bearing portion	**–**	2,935
Non-interest bearing portion	**4,581**	232
	4,581	3,167
Less: Impairment loss	**–**	(2,099)
	4,581	1,068

The amount due from Pak Tak Kwong Tai is unsecured and repayable on demand. Interest was charged at 6% (2006: 6%) per annum on the interest bearing portion.

21. TRADE CREDITORS

The following is an aged analysis of trade creditors:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**5,929**	8,457
31 – 60 days	**1,881**	2,302
61 – 90 days	**1,461**	1,040
Over 90 days	**1,628**	381
	10,899	12,180

22. BANK BORROWINGS

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Trust receipt loans	**12,082**	35,280
Term loans	**30,623**	14,668
	42,705	49,948

The maturity profile of the above loans is as follows:

On demand or within one year	**23,074**	39,778
More than one year, but not exceeding two years	**11,619**	4,744
More than two years, but not exceeding five years	**8,012**	5,426
	42,705	49,948
Less: Amount due within one year classified as current liabilities	**(23,074)**	(39,778)
Amount due after one year	**19,631**	10,170

The bank borrowings comprise an amount of HK$2,136,000 (2006: HK$2,994,000) which is secured by pledge of certain machinery of the Group with a carrying value of HK$2,512,000 (2006: HK$3,015,000) at 31st March, 2007, and an amount of HK$40,569,000 (2006: HK$46,954,000) which is secured by pledged bank deposits of a director and a legal charge on a property owned by a company controlled by one of the directors.

23. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
THE GROUP				
Amount payable under finance leases:				
Within one year	**4,520**	2,908	**4,136**	2,668
In the second to fifth year inclusive	**7,937**	5,664	**6,001**	5,481
	12,457	8,572	**10,137**	8,149
Less: Future finance charges	**(2,320)**	(423)	**–**	–
Present value of lease obligations	**10,137**	8,149	**10,137**	8,149
Less: Amount due within one year shown under current liabilities			**(4,136)**	(2,668)
Amount due after one year			**6,001**	5,481

The Group has leased certain of its motor vehicles and plant and machinery under finance leases with an average lease term of 3 years and 4 years respectively. The interest rate for one lease is HIBOR plus 2% and the interest rate for the other leases were fixed at the contract date and the average effective rate for the year was 4% (2006: 4%) per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

24. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are unsecured and have no fixed terms of repayment. Interest is 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 that it will not be required to repay any part of the amounts due in the next 12 months.

25. OTHER LONG TERM LOAN

The loan is unsecured and has no fixed terms of repayment. Interest is 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 that it will not be required to repay any part of the loan in the next 12 months.

26. DEFERRED TAX

The components of deferred tax (assets)/liabilities recognised in the balance sheet and the movements during the year are as follows:

	Accelerated tax depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
THE GROUP			
At 1st April, 2005	7,156	(7,156)	–
Charged/(credited) to income statement *(Note 9)*	1,266	(1,140)	126
At 31st March, 2006	8,422	(8,296)	126
Charged/(credited) to income statement *(Note 9)*	2,061	(2,011)	50
At 31st March, 2007	10,483	(10,307)	176

At the balance sheet date, the Group has unused tax losses of approximately HK$110,530,000 (2006: HK$90,896,000). A deferred tax asset has been recognised in respect of approximately HK$58,898,000 (2006: HK$47,406,000) of such losses. No deferred tax asset has been recognised in respect of the remaining balance of approximately HK$51,632,000 (2006: HK$43,490,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$42,591,000 (2006: HK$32,107,000) that will expire within five years. Other losses may be carried forward indefinitely.

27. PROVISION FOR LONG SERVICE PAYMENTS

Under the Hong Kong Employment Ordinance, the Group is required to make long service payments to its employees in Hong Kong upon the termination of their employment or retirement when the employee fulfils certain conditions and the termination meets the required circumstances. However, where an employee is simultaneously entitled to a long service payment and to a retirement scheme payment, the amount of the long service payment may be reduced by certain benefits arising from the retirement scheme.

The most recent actuarial valuation of the present value of the Group's obligations under long service payments was carried out at 31st March, 2007 by Hewitt Associates LLC, an independent firm of human resource consultants and actuaries. The present value of the Group's obligations under long service payments, the related current service cost and past service cost were measured using the projected unit credit method.

27. PROVISION FOR LONG SERVICE PAYMENTS *(Continued)*

The main actuarial assumptions used in the actuarial valuation are as follows:

Discount rate	4.5 % per annum
Expected rate of salary increases	3.0 % per annum

Amounts recognised in income statement in respect of the long service payments are as follows:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Current service cost	**(12)**	(11)
Interest cost	**34**	46
Actuarial loss	**60**	287
	82	322

The charge for the year has been included in administrative expenses.

Movements in the net liability during the year were as follows:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
At beginning of the year	**803**	776
Amount charged to income statement	**82**	322
Actual benefit payments	**–**	(295)
At end of the year	**885**	803

28. SHARE CAPITAL

	2007	2006
	HK$'000	*HK$'000*
Authorised:		
500,000,000 ordinary shares of HK$0.1 each	**50,000**	50,000
Issued and fully paid:		
236,402,000 ordinary shares of HK$0.1 each	**23,640**	23,640

29. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a shareholders' resolution passed on 9th November, 2001 for the purpose of providing incentives or rewards to directors and full-time employees of the Group and will expire on the tenth anniversary of the date adoption of the Scheme. Under the Scheme, the directors of the Company may grant options to directors and full-time employees of the Group to subscribe for shares in the Company at a price equal to the higher of: (1) the nominal value of the shares; or (2) the average closing prices of the shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of grant of the options; or (3) the closing price of the shares as stated in the Stock Exchange's daily quotations on the date of grant of the options, which must be a business day.

Options granted may be accepted by the grantee within 28 days from the date of grant of the option. The exercise period for the share options granted is determinable by the directors of the Company and should not expire later than 10 years from the date of grant. A price of HK$1 is payable by the grantee upon acceptance of the grant of an option under the Scheme.

Unless shareholders' approval is sought, the shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option scheme of the Company must not in aggregate exceed 22,800,000 shares of the Company.

In addition, the total number of shares of the Company issued and to be issued upon exercise of the options granted to each participant (including both exercised and unexercised options) under the Scheme or any other share option scheme of the Company in any 12-month period must not exceed 1% of the shares of the Company in issue on the date of grant.

No options had been granted or agreed to be granted under the Scheme since its adoption.

30. RESERVES

	THE COMPANY	
	2007	2006
	HK$'000	*HK$'000*
SHARE PREMIUM		
At beginning and end of the year	**5,987**	5,987
CONTRIBUTED SURPLUS		
At beginning and end of the year	**181,059**	181,059
ACCUMULATED LOSS		
At beginning of the year	**(66,944)**	(66,798)
Loss for the year	**(59)**	(146)
At end of the year	**(67,003)**	(66,944)
TOTAL RESERVES	**120,043**	120,102

30. RESERVES *(Continued)*

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date at which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation on 9th November, 2001 and has been adjusted for the dividend declared from this reserve after 9th November, 2001.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of a company is available for distribution. However, the Company cannot declare or pay or dividend, or make a distribution out of the contributed surplus, if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders at the balance sheet date were:

	2007	2006
	HK$'000	*HK$'000*
Contributed surplus	**181,059**	181,059
Accumulated loss	**(67,003)**	(66,944)
	114,056	114,115

31. FINANCIAL INSTRUMENTS

The Group's major financial instruments include bank balances, amount due from an associate and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's principal exposure to credit risk is on the amount due from an associate, trade debtors and bank balances. The management closely monitors the recoverability of the amount due from an associate and trade debtors. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings.

31. FINANCIAL INSTRUMENTS *(Continued)*

Interest rate risk

The Group has exposure to interest rate risk through the impact of any rate changes on bank borrowings. Management considers the interest rate risk exposure is limited and will consider hedging significant interest rate exposure should the need arise.

Foreign currency risk

The Group's foreign currency exposure arises mainly from the exchange rate movements of the Hong Kong dollars and Renminbi.

The Group does not enter into any derivative contracts to hedge its foreign currency risk. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

32. LEASE COMMITMENTS

As at 31st March 2007, the Group had outstanding commitments, under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**21**	564
In the second to fifth year inclusive	**–**	–
	21	564

Operating leases are negotiated for a term of two to three years without renewal options.

The Company did not have any outstanding operating lease commitments as at 31st March 2007.

33. CONTINGENT LIABILITIES

At 31st March, 2007, the Group had contingent liabilities in respect of bank guarantees of approximately HK$1,648,000 (2006: HK$1,364,000) issued in favour of third parties.

At 31st March, 2007, the Company had issued corporate guarantees to banks and other financial institutions in connection with facilities granted to certain of its subsidiaries amounting to approximately HK$146 million (2006: HK$65 million).

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group and the Company are insignificant at initial recognition and the Directors consider the possibility of default of the parties involved is remote, accordingly, no value has been recognised in the balance sheet.

34. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group entered into the following material related party transactions during the year:

	2007	2006
	HK$'000	*HK$'000*
Pak Tak Kwong Tai		
Sub-contracting income	**117**	–
Sales of goods	**12,396**	1,194
Sample sales income	**611**	–
Interest income	**86**	212
Letter of credit issue on behalf	**–**	2,984
Commission paid	**530**	455
Cheng Chi Tai and Cheng Kwai Chun, John		
Interest paid	**380**	417

35. POST BALANCE SHEET EVENTS

The Group purchased computerised knitting machines at a consideration of HK$14,430,000 (equivalent to US$1,850,000) and HK$30,034,134 (equivalent to US$3,850,530) on 2nd April, 2007 and 21st June, 2007 respectively.

36. SEGMENT INFORMATION

(a) Business segments

The business activities of the Group can be categorised into knit-to-shape garments, non knit-to-shape garments and sub-contracting. Segment information in respect of these activities is as follows:

RESULTS

	Turnover		**Contribution to profit/(loss)**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sales of knit-to-shape garments	**348,067**	333,801	**2,874**	869
Sales of non knit-to-shape garments	**–**	1,952	**–**	201
Sub-contracting	**15,391**	14,950	**(487)**	(378)
Less: Inter-segment transactions	**(11,307)**	(8,893)	**(3,867)**	(2,345)
	352,151	341,810	**(1,480)**	(1,653)
Other operating income			**4,587**	5,271
Profit from operations			**3,107**	3,618
Finance costs			**(4,160)**	(4,094)
Share of results of an associate			**2,139**	1,402
Profit before taxation			**1,086**	926
Income tax			**(50)**	(126)
Profit for the year			**1,036**	800

Inter-segment sales for the year ended 31st March, 2007 and 2006 from sub-contracting segment to sales of knit-to-shape garments segment were charged at cost plus a percentage profit markup.

36. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

FINANCIAL POSITION

	2007	2006
	HK$'000	*HK$'000*
Assets		
Segment assets:		
– Knit-to-shape garments	**191,911**	196,403
– Sub-contracting	**37,354**	34,052
– Unallocated segment assets	**3,855**	3,173
Total segment assets	**233,120**	233,628
Unallocated corporate assets	**19,411**	20,536
Consolidated total assets	**252,531**	254,164
Liabilities		
Segment liabilities:		
– Knit-to-shape garments	**64,601**	72,304
– Sub-contracting	**20,986**	20,116
Total segment liabilities	**85,587**	92,420
Unallocated corporate liabilities	**17,000**	17,000
Consolidated total liabilities	**102,587**	109,420
Capital additions in segment assets		
– Knit-to-shape garments	**17,142**	30,119
– Sub-contracting	**5,947**	6,414
	23,089	36,533
Depreciation and amortisation		
– Knit-to-shape garments	**11,867**	10,862
– Non knit-to-shape garments	**–**	731
– Sub-contracting	**4,592**	4,578
	16,459	16,171
Impairment loss on trade debtors		
– Knit-to-shape garments	**2,011**	–

36. SEGMENT INFORMATION *(Continued)*

(b) Geographical market

The Group's operations are located in Hong Kong, Mainland China and Thailand.

The following table provides an analysis of the Group's sales by geographical market, irrespective of origin of the goods and services:

	Sales revenue by geographical market	
	2007	2006
	HK$'000	*HK$'000*
United States of America	**283,971**	304,559
Europe	**21,538**	16,262
Asia	**40,106**	12,307
Australia	**1,505**	2,121
Others	**5,031**	6,561
	352,151	341,810

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and prepaid land premiums, analysed by the geographical area in which the assets are located:

	Carrying amount of assets		Additions to property, plant and equipment and prepaid land premiums	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China	**175,345**	169,948	**17,033**	29,834
Hong Kong	**35,968**	44,369	**6,056**	6,608
Thailand	**21,807**	19,311	**–**	91
Total segment assets	**233,120**	233,628	**23,089**	36,533
Unallocated corporate assets	**19,411**	20,536		
Consolidated total assets	**252,531**	254,164		

37. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation of the financial statements.

RESULTS

	Year ended 31st March,				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	413,630	330,179	338,198	341,810	**352,151**
Profit/(loss) from operations	(40,202)	(4,375)	(27,386)	3,618	**3,107**
Finance costs	(717)	(469)	(2,233)	(4,094)	**(4,160)**
Share of results of an associate	(1,433)	–	–	1,402	**2,139**
Profit/(loss) before taxation	(42,352)	(4,844)	(29,619)	926	**1,086**
Income tax	2,367	(368)	485	(126)	**(50)**
Profit/(loss) for the year	(39,985)	(5,212)	(29,134)	800	**1,036**
Attributable to:					
Shareholders of the Company	(38,219)	(4,991)	(29,134)	800	**1,036**
Minority interests	(1,766)	(221)	–	–	**–**
Profit/(loss) for the year	(39,985)	(5,212)	(29,134)	800	**1,036**

ASSETS AND LIABILITIES

	As at 31st March,				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	215,515	208,250	221,423	254,164	**252,531**
Total liabilities	(37,558)	(35,378)	(77,535)	(109,420)	**(102,587)**
Total equity	177,957	172,872	143,888	144,744	**149,944**

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the "**Meeting**") of Pak Tak International Limited (the "**Company**") will be held at Units 404-411, 4th Floor, Fanling Industrial Centre, 21 On Kui Street, On Lok Tsuen, Fanling, New Territories, Hong Kong on Wednesday, 22 August 2007 at 11:00 a.m. for the purposes of transacting the following business:

Ordinary Business

1. To receive, consider and adopt the audited consolidated financial statements and the reports of the directors (the "**Directors**") and auditors of the Company and its subsidiaries for the year ended 31 March 2007.

2. (A) To re-elect Mr. Victor Robert Lew as the Chairman and the Non-executive Director (Note 5(a)).

   (B) To re-elect Mr. Lin Chick Kwan as an Executive Director (Note 5(b)).

   (C) To re-elect Mr. Lin Wing Chau as an Executive Director (Note 5(c)).

   (D) To re-elect Ms. Ho Man Yee, Esther as an Independent Non-executive Director (Note 5(d)).

   (E) To authorise the Board of Directors to fix the Directors' remuneration for the ensuing year.

3. To re-appoint Baker Tilly Hong Kong Limited as Auditors of the Company for the ensuing year and authorise the Board of Directors to fix their remuneration.

Special Business

4. To consider and, if thought fit, to pass the following resolutions with or without amendments as ordinary resolutions:

   (A) "**THAT**:

   (1) a general mandate be and is hereby unconditionally given to the Board of Directors of the Company during the Relevant Period to issue, allot or otherwise deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers, subject to the following conditions:

   (a) such mandate shall not extend beyond the Relevant Period save that the Board of Directors of the Company may during the Relevant Period make or grant offers, agreements and options which might require the exercise of such powers to allot, issue and deal with additional shares in the capital of the Company at any time during or after the end of the Relevant Period; and

(b) the aggregate nominal amount of shares in the capital of the Company which may be allotted, issued or otherwise dealt with by the Board of Directors of the Company pursuant to such mandate, otherwise than pursuant to (i) a Rights Issue; or (ii) the exercise of rights of subscription or conversion under the terms of any warrants or other securities issued by the Company carrying a right to subscribe for or purchase shares of the Company; or (iii) the exercise of any option under any share option scheme of the Company adopted by its shareholders or similar arrangement for the grant or issue to employees of the Company and/or any of its subsidiaries of options to subscribe for or rights to acquire shares of the Company; or (iv) any scrip dividend or other similar scheme implemented in accordance with the Bye-laws of the Company, shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution no.4(A); and

(2) for the purpose of this Resolution no.4(A):

"Relevant Period" means the period from the passing of this Resolution no.4(A) until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by its Bye-laws or any applicable laws of Bermuda to be held; and

(c) the revocation or variation of the authority given under this Resolution no.4(A) by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the Board of Directors of the Company to holders of shares on its Register of Members on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Board of Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

(B) "**THAT**:

(1) a general mandate be and is hereby unconditionally given to the Board of Directors of the Company during the Relevant Period to exercise all powers of the Company to repurchase shares in the capital of the Company and to make offers, agreements and options which might require the exercise of such powers subject to the following conditions:

(a) the exercise of all powers pursuant to such mandate shall be subject to and in accordance with all applicable laws and requirements and regulations of the relevant stock exchange; and

(b) the aggregate nominal amount of shares in the share capital of the Company which may be repurchased pursuant to such mandate shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing Resolution no.4(B); and

(2) for the purposes of this Resolution no.4(B):

"Relevant Period" means the period from the passing of this Resolution no.4(B) until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by its Bye-laws or any applicable laws of Bermuda to be held; and

(c) the revocation or variation of the authority given under this Resolution no.4(B) by an ordinary resolution of the shareholders of the Company in general meeting."

(C) "**THAT** conditional upon the passing of the ordinary resolutions set out in items 4(A) and 4(B) in the notice convening this Meeting, the general mandate granted to the Board of Directors of the Company pursuant to the authority given in the resolution set out in item 4(A) in the notice convening this Meeting to issue, allot or otherwise deal with additional shares of the Company and to make or grant offers, agreements and options which might require the exercise of such powers during the Relevant Period (as defined in Resolution no.4(A)) be and is hereby extended by the addition to the aggregate nominal amount of shares in the capital of the Company which may be issued, allotted or otherwise dealt with pursuant to such general mandate of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Board of Directors of the Company pursuant to their exercise of the powers of the Company to repurchase such shares in accordance with the ordinary resolution set out in item 4(B) in the notice convening this Meeting."

On behalf of the Board
Cheng Kwai Chun, John
Chief Executive Officer

Hong Kong, 24 July 2007

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Units 404-411, 4th Floor
Fanling Industrial Centre
21 On Kui Street, On Lok Tsuen
Fanling, New Territories
Hong Kong

Notes:

(1) A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies (if a member who is the holder of two or more shares) to attend and vote in his stead. A proxy needs not be a member of the Company.

(2) A form of proxy for the Meeting is enclosed with the explanatory statement mentioned in note (4) below. To be valid, the form of proxy together with the power of attorney (if any) or other authority (if any) under which it is signed or a certified copy of such power or authority must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Standard Registrars Limited (name to be changed to Tricor Standard Limited on 1 August 2007), at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjourned Meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting at the Meeting if you so desire.

(3) The Register of Members of the Company will be closed from 9 August 2007 (Thursday) to 22 August 2007 (Wednesday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the Meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Standard Registrars Limited (name to be changed to Tricor Standard Limited on 1 August 2007), at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 8 August 2007 (Wednesday).

(4) An explanatory statement containing further details regarding ordinary resolution no.4(B) as required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited will be dispatched to the members of the Company together with the 2007 annual report of the Company.

(5) The following are the particulars of the Directors to be retired and proposed to be re-elected at the Meeting:

(a) Mr. Victor Robert Lew, aged 51, is an independent non-executive director of Sincere Watch (Hong Kong) Limited, an independent non-executive director and chairman of the audit committee of Pacific Andes International Holdings Limited, both are companies listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Other than described aforesaid, Mr. Lew did not hold any directorship in other listed companies in the last three years. Mr. Lew is currently a director of a corporation of practicing certified public accountants in Hong Kong. He has over 20 years of experience in corporate assurance advisory, taxation, and corporate finance consulting. Mr. Lew is graduated with a bachelor of commerce degree from the University of British Columbia, Canada. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a practicing certified public accountant in Hong Kong and a chartered accountant of Canadian Institute of Chartered Accountants.

Mr. Lew was appointed as Secretary of the Company on 29th September, 2006 as announced by the Company on 29th September, 2006. Mr. Lew resigned as Secretary of the Company upon his appointment as the Non-executive Director and the Chairman of the Company. Save and except for the aforesaid, Mr. Lew does not hold any other position in the Company or its subsidiaries.

As at the date hereof, Mr. Lew does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company and any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

There is no service contract executed by the Company with Mr. Lew nor any specified length or proposed length of service with the Company in respect of the aforesaid appointment of Mr. Lew. Mr. Lew will be subject to retirement and re-election at least once every 3 years in accordance with the Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the Bye-laws of the Company. Mr. Lew is entitled to a monthly fee of HK$20,000 (or a pro rata amount for the duration of his directorship for an incomplete month and subject to review by the Board from time to time), being determined by reference to his duties and responsibilities and prevailing market conditions.

Save as disclosed above, there are no other matters that need to be brought to the attention of the shareholders of the Company in connection with his appointment and there is no other information that should be disclosed pursuant to rule 13.51 (2)(h) to (v) of the Listing Rules.

(b) Mr. Lin Chick Kwan, aged 48, an Executive Director of the Company. Mr. Lin joined the Group in 1980 and is responsible for the production operations of the Group in the PRC and Hong Kong. Mr. Lin has over 20 years experience in knitwear and garment manufacturing business. He is the brother of Mr. Lin Chik Wai (who is a member of the senior management of the Company) and a cousin of Mr. Lin Wing Chau (an Executive Director of the Company). Save as disclosed above, Mr. Lin does not have any other relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company. Mr. Lin did not hold any directorship in other listed public companies in the past three years. Mr. Lin is not appointed for a specific term and is subject to retirement and re-election in accordance with the Bye-laws of the Company. He is entitled to director's fee of HK$63,000 per month plus discretionary bonus to be determined by the Board at its discretion by reference to his performance and the business of the Group.

As at the date hereof, Mr. Lin does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

There is no information which is discloseable nor is/was Mr. Lin involved in any of the matters required to be disclosed pursuant to Rule 13.51(2)(h) to 13.51(2)(v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Save for the above, there is no other matter that needs to be brought to the attention of the shareholders of the Company.

(c) Mr. Lin Wing Chau, aged 50, an Executive Director of the Company. Mr. Lin joined the Group in 1977 and is responsible for the sales and distribution operations of the Group. Mr. Lin has over 20 years experience in knitwear and garment manufacturing business. He is a cousin of Mr. Lin Chick Kwan (an Executive Director of the Company) and Mr. Lin Chik Wai (who is a member of the senior management of the Company). Save as disclosed above, Mr. Lin does not have any other relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company. Mr. Lin did not hold any directorship in other listed public companies in the past three years. Mr. Lin is not appointed for a specific term and is subject to retirement and re-election in accordance with the Bye-laws of the Company. He is entitled to director's fee of HK$63,000 per month plus discretionary bonus to be determined by the Board at its discretion by reference to his performance and the business of the Group.

As at the date hereof, Mr. Lin has the following interests in the Company within the meaning of Part XV of the Securities and Futures Ordinance:

Number of shares interested (long position)	Capacity	Approximate percentage of the issued share capital of the Company
1,955,430	Personal	0.82%

Save as disclosed above, Mr. Lin does not have any other interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

There is no information which is discloseable nor is/was Mr. Lin involved in any of the matters required to be disclosed pursuant to Rule 13.51(2)(h) to 13.51(2)(v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Save for the above, there is no other matter that needs to be brought to the attention of the shareholders of the Company.

(d) Ms. Ho Man Yee, Esther, aged 34, an Independent Non-executive Director of the Company. Ms. Ho received a Bachelor of Law degree and a post-graduate certificate in laws from The University of Hong Kong. She was admitted as a solicitor of the Hong Kong SAR in 1988. She has been in active practice since admission and is now an assistance of a law firm. Ms. Ho does not have any other relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company. Ms. Ho did not hold any directorship in other listed public companies in the past three years. She is not appointed for a specific term and is subject to retirement and re-election in accordance with the Bye-laws of the Company. She is entitled to director's fee of HK$60,000 per annum.

As at the date hereof, Mr. Ho does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

There is no information which is discloseable nor is/was Ms. Ho involved in any of the matters required to be disclosed pursuant to Rule 13.51(2)(h) to 13.51(2)(v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Save for the above, there is no other matter that needs to be brought to the attention of the shareholders of the Company.