



Pak Tak International Limited  
百德國際有限公司

Stock Code: 2668

2007  
Interim Report

## CONTENTS

	<i>Pages</i>
Review of operations	2
Independent review report	8
Condensed consolidated income statement	9
Condensed consolidated balance sheet	10
Condensed consolidated statement of changes in equity	11
Condensed consolidated cash flow statement	12
Notes to the condensed financial information	13



## REVIEW OF OPERATIONS

### Business Review

The board of directors (the “Directors”) of Pak Tak International Limited (the “Company”) has the pleasure of presenting the interim report and the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the six months ended 30 September 2007.

The Directors are pleased to report a profitable period of operations for the six months ended 30 September 2007. The positive result is a reflection of the Group’s strategic approach to maintain its image as a strong producer of high quality, high value, and complex knitwear products as well as its stringent cost control measures. The Group increased its turnover to HK\$229 million, representing an increase of 6% as compared to the same period in the previous year. The result in turnover can be attributed to the Group’s strategic push for its computerized machine made knitwear. More impressively, the Group’s gross profit and net profit attributable to shareholders also increased by 16% and 7% respectively over the same period of the previous year, a success that reflects the Group’s automated production capacity. Fully 49% of the Group’s turnover in this six month period ended 30 September 2007 was for products made by the Group’s automated machinery. The computerized knitting machinery enables the Group to divert more of its resources to produce high-end products with higher unit prices while at the same time control labor costs which have substantially increased with the labor shortages in southern China and the appreciation of the Renminbi. The Group is confident that its strategy of expanding its automation process division is a sensible one and allows the Group to focus its sales on higher-end products while remaining competitive in an industry where production costs continue to rise.

### Turnover

The Group’s consolidated turnover for the six months ended 30 September 2007 increased by 6% to approximately HK\$229 million, from HK\$215 million for the corresponding period in 2006.

In the current period under review, the Group’s sales to the United States increased by 21% from HK\$176 million for the period ended 30 September 2006 to HK\$212 million for the current period. The United States remained the Group’s core market, representing 93% of the Group’s total consolidated turnover.

### Profitability

The Group reported a net profit attributable to shareholders of HK\$14 million for the period ended 30 September 2007 (30 September 2006: HK\$13 million). In comparison to the same period in 2006, the Group’s production costs in the six months ended 30 September 2007 increased by 5%, from HK\$186 million to HK\$195 million. However, with a higher percentage increase in turnover, the Group’s gross profit increased by 16%, to HK\$34 million. This improvement in gross profit is a direct result of the extensive use of the computerized knitting machinery as well as stringent cost control measures that the Group has introduced in recent years. The imperative to control cost cannot be emphasized enough given the labor shortage in southern China and the increase in raw material cost and utilizes. The Group strongly believes in the need to closely monitor its cost in order to remain competitive.

Profit before tax for the six months ended 30 September 2007 has also increased by 12% from HK\$14 million for the same period of the previous year to HK\$16 million of the current period. The increase in profitability in this six month period over the comparative period of the year came despite an increase in various expenditures. These include an increase in air freight expenses by HK\$3 million due to the fact that with the automated machinery working in full capacity and the shortage of labor in southern China, the Group had to deliver by air freight in order to complete its shipments on time under the tight timetable. The Group further made a provision for stock depreciation of HK\$4 million (30 September 2006: HK\$ Nil) along with the provision of bad debt of HK\$2 million (30 September 2006: HK\$ Nil) in this six month period in order to prudently write-off assets that have lost value. During the period, quota for Chinese products was re-introduced, resulting in the increase in selling expenses. Another expenditure that went up during the six month ended 30 September 2007 was bank interest charges as the Group incurred more interest charges for the computerized knitting machinery.

The Group remains a firm believer that over the long run, profits will continue to widen due to lower staff count and better management of its sub-contracting charges as the Group further develops and invests in its automated production division.

### **Liquidity and Financial Resources**

As at 30 September 2007, total amount of cash and bank balance of the Group were approximately HK\$8 million, representing an decrease of approximately 30% over 31 March 2007. Most of the funds were held in Hong Kong dollars and US dollars. As at 30 September 2007, the Group was in a net current liabilities position of HK\$15 million (31 March 2007: net current assets of HK\$3 million). The reason for the drop in the Group's working capital position was that during the six months period ended 30 September 2007, for the Group's acquisition of the computerized knitting machinery, the Group had made immediate payments or made provision of current liabilities. As the Group re-negotiates with bank and financial institution to arrange for long term leasing contracts, the net current liabilities position is expected to improve.

The Group will continue to finance its operations with its operating cashflow and available banking facilities of over HK\$110 million (31 March 2007: HK\$113 million), out of which HK\$60 million has been utilized as at 30 September 2007. The banking facilities were secured by corporate guarantees given by the Company. The Group's gearing ratio computed as total borrowings over shareholders' funds was 53% as at 30 September 2007 (31 March 2007: 49%).

The Group's sales were predominately denominated in US dollars while purchases were transacted in Hong Kong dollars. The Group's expenditures in China, the location of its production facilities, are denominated in Chinese Renminbi ("RMB"). Notwithstanding the rise of exchange rate for the RMB relative to the US dollar, the Group believes that its currency exposure is minimal and immaterial given its relatively low expenditures made in RMB in comparison to the expenditures made in Hong Kong dollars and US dollars.

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

### **Interim Dividend**

The Directors have resolved not to recommend the payment of any interim dividend for the six months ended 30 September 2007 (30 September 2006: HK\$ Nil).

### **Charge on Group Assets**

As at 30 September 2007, certain machinery of the Group with a net book value of approximately HK\$2 million (31 March 2007: approximately HK\$3 million), leasehold buildings with a net book value of approximately HK\$67 million (31 March 2007: HK\$ Nil), interest in leasehold land with a carrying amount of approximately HK\$2 million (31 March 2007: HK\$ Nil) and fixed deposit of approximately HK\$3 million (31 March 2007: HK\$ Nil) were pledged to secure the banking facilities utilized by the Group.

### **Contingent Liabilities**

As at 30 September 2007, the Group had contingent liabilities in respect of bank guarantees of approximately HK\$1.5 million (31 March 2007: approximately HK\$1.7 million issued in favour of third parties).

### **Capital Expenditures and Commitments**

For the six month period ended 30 September 2007, the Group incurred capital expenditures of HK\$38 million (31 March 2007: HK\$23 million). There was a further capital commitment of HK\$6 million outstanding as at 30 September 2007 (31 March 2007: HK\$ Nil).

### **Employees and Remuneration Policies**

As at 30 September 2007, the Group had approximately 413 employees (30 September 2006: 1,052 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 is committed to consolidate its brand image as a strong producer of high quality, high value, complex knitwear products and build on its strength as a leader in this field.



## DIRECTORS

The following persons were Directors of the Company as at the date of this report:

### Executive Directors

Mr. Cheng Kwai Chun, John  
Mr. Lin Chick Kwan  
Mr. Lin Wing Chau

### Non-executive Director

Mr. Victor Robert Lew

### Independent Non-executive Directors

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

## DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2007, the interests and short positions of the Directors and chief executives of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO") which would have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (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%
	40,314,280 (Note 2)	Controlled Corporation	17.05%

#### Notes:

- 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. HSBC International Trustee Limited is incorporated in the British Virgin Islands.
- These shares are held by Best Ahead Limited ("Best Ahead"), a company incorporated in the British Virgin Islands. Mr. Cheng Kwai Chun, John is the sole director of Best Ahead and Best Ahead acts in accordance with his directions or instructions. As such, Mr. Cheng Kwai Chun, John is taken or deemed to be interested in the shares of the Company held by Best Ahead.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2007, so far as was known to the Directors or chief executives of the Company, the following persons had an interest or short position, other than the interests disclosed above in respect of Directors and chief executives, in the shares or the underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any members of the Group:

Name	Name of Company	Number of shares held	Percentage held
HSBC International Trustee Limited	Pak Tak International Limited	120,840,000	approximately 51.11% (Note 1)
Best Ahead Limited	Pak Tak International Limited	40,314,280	approximately 17.05% (Note 2)
Ms. Amy Pik Sin	Pak Tak Knitting & Garment Factory (Thailand) Company Limited	1,000	10%
Mr. Nakorn Phisitchoowong	Pak Tak Knitting & Garment Factory (Thailand) Company Limited	1,000	10%
Miss Janphen Phisitchoowong	Pak Tak Knitting & Garment Factory (Thailand) Company Limited	1,000	10%

*Notes:*

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

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2007.

## **CORPORATE GOVERNANCE REPORT**

The Directors are pleased to report that throughout the six months period ended 30 September 2007, the Company was in substantial compliance with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules. In particular, the Company has ensured that:

- the appointment to and the composition and operation of the Board of Directors;
- the remuneration of Directors and senior management;
- accountability and audit;
- delegation by the Board; and
- communication with shareholders,

are in compliance with the Code.

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

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct rules (the "Model Code") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code in the six months period ended 30 September 2007.

## **COMMITTEES**

The Directors have caused three committees to be formed pursuant to the Code: The Audit Committee, the Nomination Committee and the Remuneration Committee. The Audit Committee, comprising the three independent non-executive Directors, namely Mr. Chow Chan Lum, Ms. Ko Hay Yin, Karen and Ms. Ho Man Yee, Esther, has reviewed with the management and the auditors of the accounting principles and practices adopted by the Group and discussed and reviewed the unaudited consolidated financial statements for the six months ended 30 September 2007.

The interim results for the six months ended 30 September 2007 have been reviewed by the Company's auditors.

On behalf of the Board  
**Victor Robert Lew**  
*Chairman*

Hong Kong, 7 December 2007





## **INDEPENDENT REVIEW REPORT**

TO THE BOARD OF DIRECTORS OF PAK TAK INTERNATIONAL LIMITED  
*(Incorporated in the Bermuda with limited liability)*

### **Introduction**

We have reviewed the interim financial information set out on pages 9 to 18 which comprises the condensed consolidated balance sheet of Pak Tak International Limited as at 30 September 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with this Hong Kong Accounting Standard 34. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

### **BAKER TILLY HONG KONG LIMITED**

*Certified Public Accountants*  
Hong Kong, 7 December 2007

### **Andrew David Ross**

Practising Certificate number P01183

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007

	Note	Six months ended 30 September	
		2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
<b>Turnover</b>	3	<b>229,010</b>	215,472
Cost of sales		<b>(194,613)</b>	(185,694)
<b>Gross profit</b>		<b>34,397</b>	29,778
Other operating income	4	<b>1,636</b>	2,479
Administrative expenses		<b>(15,581)</b>	(14,406)
Selling expenses		<b>(3,932)</b>	(2,046)
<b>Profit from operations</b>	5	<b>16,520</b>	15,805
Finance costs	6	<b>(2,514)</b>	(2,368)
Share of results of an associate		<b>1,997</b>	893
<b>Profit before taxation</b>		<b>16,003</b>	14,330
Income tax	7	<b>(1,768)</b>	(1,046)
<b>Profit attributable to shareholders</b>		<b>14,235</b>	13,284
Dividend	8	<b>-</b>	-
		<b>HK cents</b>	HK cents
Earnings per share	9	<b>6</b>	6

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

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2007

	Note	At 30 September 2007 HK\$'000 (unaudited)	At 31 March 2007 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	203,431	175,202
Prepaid land premiums		7,600	7,622
Investment properties		3,870	3,855
Interest in an associate		5,538	3,541
		<u>220,439</u>	<u>190,220</u>
<b>Current assets</b>			
Inventories		43,595	34,146
Trade debtors	11	50,794	8,470
Other debtors, prepayments and deposits		5,040	3,951
Amount due from an associate		3,467	4,581
Bank balances and cash		9,419	11,163
		<u>112,315</u>	<u>62,311</u>
<b>Current liabilities</b>			
Trade creditors	12	33,724	10,899
Bills payable		612	5,095
Other creditors and accrued charges	13	40,424	12,376
Amounts due to minority shareholders of a subsidiary		3,324	3,314
Bank borrowings		35,214	23,074
Obligations under finance leases		4,155	4,136
Other short term loan	14	8,500	-
Bank overdrafts		1,570	-
		<u>127,523</u>	<u>58,894</u>
<b>Net current (liabilities)/assets</b>		<u>(15,208)</u>	<u>3,417</u>
<b>Total assets less current liabilities</b>		<u>205,231</u>	<u>193,637</u>
<b>Non-current liabilities</b>			
Bank borrowings		13,946	19,631
Obligations under finance leases		3,935	6,001
Amounts due to a director	15	8,500	8,500
Other long term creditor		11,470	-
Other long term loan	14	-	8,500
Deferred tax liabilities		1,944	176
Provision for long service payments		885	885
		<u>40,680</u>	<u>43,693</u>
		<u>164,551</u>	<u>149,944</u>
<b>Capital and reserves</b>			
Share capital		23,640	23,640
Reserves		140,911	126,304
		<u>164,551</u>	<u>149,944</u>

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



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2006	23,640	5,987	32,680	549	81,888	144,744
Exchange differences arising on translation of overseas operations not recognised in consolidated income statement	-	-	-	(217)	-	(217)
Profit for the period	-	-	-	-	13,284	13,284
At 30 September 2006	<u>23,640</u>	<u>5,987</u>	<u>32,680</u>	<u>332</u>	<u>95,172</u>	<u>157,811</u>
At 1 April 2007	23,640	5,987	32,680	4,713	82,924	149,944
Exchange differences arising on translation of overseas operations not recognised in consolidated income statement	-	-	-	372	-	372
Profit for the period	-	-	-	-	14,235	14,235
At 30 September 2007	<u>23,640</u>	<u>5,987</u>	<u>32,680</u>	<u>5,085</u>	<u>97,159</u>	<u>164,551</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2007

	<b>Six months ended 30 September</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Net cash generated from operating activities</b>	<b>20,367</b>	<b>6,981</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	<b>(37,826)</b>	<b>(1,287)</b>
Other investing cash flows	<b>387</b>	<b>5</b>
<b>Net cash used in investing activities</b>	<b>(37,439)</b>	<b>(1,282)</b>
<b>Financing activities</b>		
Bank borrowings raised, net	<b>23,942</b>	<b>1,375</b>
Other financing cash flows	<b>(10,184)</b>	<b>(4,277)</b>
<b>Net cash generated from/(used in) financing activities</b>	<b>13,758</b>	<b>(2,902)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,314)</b>	<b>2,797</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>11,163</b>	<b>10,372</b>
<b>Cash and cash equivalents at end of the period</b>	<b>7,849</b>	<b>13,169</b>
<b>Cash and cash equivalents at end of the period, represented by:</b>		
Bank balances and cash	<b>9,419</b>	<b>13,169</b>
Bank overdrafts	<b>(1,570)</b>	<b>-</b>
	<b>7,849</b>	<b>13,169</b>

## NOTES TO THE CONDENSED FINANCIAL INFORMATION

For the six months ended 30 September 2007

### 1. GENERAL

The Company was 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 garments.

### 2. BASIS OF PRESENTATION

The unaudited condensed financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

This unaudited condensed consolidated financial information has been prepared under the historical cost convention, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2007. The accounting policies and methods of computation adopted are consistent with those followed in preparation of the Group's annual financial statements for the year ended 31 March 2007.

During the period, the Group adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("HK(IFRIC) – Ints") (collectively the "new HKFRSs") issued by the HKICPA.

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
HKFRS 7	Financial Instruments – Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Restatement of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

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

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

HKFRS 8	(Note a)	Operating Segments
HKAS 23 (revised)	(Note a)	Borrowing Costs
HK(IFRIC) – Int 12	(Note b)	Service Concession Arrangements
HK(IFRIC) – Int 13	(Note c)	Customer Loyalty Programme
HK(IFRIC) – Int 14	(Note b)	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Note a: effective for annual periods beginning on or after 1 January 2009

Note b: effective for annual periods beginning on or after 1 January 2008

Note c: effective for annual periods beginning on or after 1 July 2008



**2. BASIS OF PRESENTATION** *(Continued)*

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. TURNOVER AND PROFIT FOR THE PERIOD**

The Group's turnover and profit for the six months ended 30 September 2007 by business segment (primary segment) are as follows:

	Turnover for the six months ended 30 September		Profit for the six months ended 30 September	
	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Sales of knit-to-shape garments	227,411	212,458	13,430	14,331
Subcontracting income	38,814	11,209	3,419	196
Less: Inter-segment transactions	(37,215)	(8,195)	(1,965)	(1,201)
	<u>229,010</u>	<u>215,472</u>	<u>14,884</u>	<u>13,326</u>
Other operating income			<u>1,636</u>	<u>2,479</u>
Profit from operations			<u>16,520</u>	<u>15,805</u>
Finance costs			<u>(2,514)</u>	<u>(2,368)</u>
Share of results of an associate			<u>1,997</u>	<u>893</u>
Profit before taxation			<u>16,003</u>	<u>14,330</u>
Income tax			<u>(1,768)</u>	<u>(1,046)</u>
Profit attributable to shareholders			<u>14,235</u>	<u>13,284</u>

Inter-segment sales for the six months ended 30 September 2007 from sub-contracting segment to sales of knit-to-shape garments segment were charged at cost plus a percentage profit markup.

The Group's turnover for the six months ended 30 September 2007 by geographical market is as follows:

	Turnover Six months ended 30 September	
	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
United States of America	212,484	175,575
Asia	5,695	19,410
Europe	5,405	16,751
Australia	747	393
Others	4,679	3,343
	<u>229,010</u>	<u>215,472</u>

**4. OTHER OPERATING INCOME**

	<b>Six months ended 30 September</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Exchange gains	<b>581</b>	1,386
Gain on disposal of fixed assets	<b>350</b>	–
Interest income	<b>62</b>	130
Sundry income	<b>643</b>	963
	<b><u>1,636</u></b>	<u>2,479</u>

**5. PROFIT FROM OPERATIONS**

	<b>Six months ended 30 September</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit from operations has been arrived at after charging:		
Allowance on inventories	<b>3,767</b>	–
Amortisation of prepaid land premiums	<b>91</b>	90
Depreciation and amortisation of property, plant and equipment	<b>9,841</b>	7,779

**6. FINANCE COSTS**

The finance costs represent interest on amount due to a director, interest on other short term loan, implied interest on financing the acquisition of property, plant and equipment, interest on bank borrowings wholly repayable within five years and charges on finance leases.

**7. INCOME TAX**

The charge represents deferred tax charge of approximately HK\$1,768,000 (six months ended 30 September 2006: HK\$1,046,000).

No provision for Hong Kong profits tax has been made (six months ended 30 September 2006: HK\$ Nil) as the estimated assessable profit for the period is wholly absorbed by tax losses brought forward.

**8. DIVIDEND**

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2007 (six months ended 30 September 2006: HK\$ Nil).

**9. EARNINGS PER SHARE**

The calculation of earnings per share is based on the Group's profit of HK\$14,235,000 for the period (six months ended 30 September 2006: HK\$13,284,000) and on 236,402,000 ordinary shares in issue (six months ended 30 September 2006: 236,402,000 ordinary shares in issue).

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

#### 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2007, the Group acquired property, plant and equipment at a cost of approximately HK\$37,826,000 (six months ended 30 September 2006: HK\$1,287,000).

The net book value of property, plant and equipment includes an amount of HK\$10,905,000 (31 March 2007: HK\$12,125,000) in respect of assets held under finance leases.

#### 11. TRADE DEBTORS

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

The following is an aging analysis of trade debtors:

	At 30 September 2007 HK\$'000 (unaudited)	At 31 March 2007 HK\$'000 (audited)
0 – 30 days	43,238	1,386
31 – 60 days	6,021	3,192
61 – 90 days	1,213	1,101
> 90 days	4,678	4,802
	<hr/>	<hr/>
	55,150	10,481
Less: Impairment loss	(4,356)	(2,011)
	<hr/>	<hr/>
	50,794	8,470

#### 12. TRADE CREDITORS

The following is an aging analysis of trade creditors:

	At 30 September 2007 HK\$'000 (unaudited)	At 31 March 2007 HK\$'000 (audited)
0 – 30 days	16,234	5,929
31 – 60 days	11,728	1,881
61 – 90 days	2,954	1,461
> 90 days	2,808	1,628
	<hr/>	<hr/>
	33,724	10,899

#### 13. OTHER CREDITORS AND ACCRUED CHARGES

Included in other creditors and accrued charges as at 30 September 2007 was an amount of HK\$25,827,000 (31 March 2007: HK\$5,163,000) being payable for plant and machinery.

#### 14. OTHER SHORT/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.



**15. AMOUNT DUE TO A DIRECTOR**

The amount due to a director 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 with the director that it will not be required to repay any part of the amount due in the next 12 months.

**16. PLEDGE OF ASSETS**

At 30 September 2007, certain machinery with a net book value of approximately HK\$2,254,000 (31 March 2007: HK\$2,512,000), leasehold buildings with a net book value of approximately HK\$67,447,000 (31 March 2007: HK\$ Nil), interest in leasehold land with a carrying amount of approximately HK\$2,120,000 (31 March 2007: HK\$ Nil) and fixed deposit of approximately HK\$3,495,000 (31 March 2007: HK\$ Nil) were pledged to secure the banking facilities utilised by the Group.

**17. CAPITAL COMMITMENTS**

	<b>At 30 September 2007 HK\$'000 (unaudited)</b>	<b>At 31 March 2007 HK\$'000 (audited)</b>
Capital expenditure in respect of the acquisition of property, plant and equipment:		
Contracted but not provided for	<b>6,350</b>	-
Authorised but not contracted for	-	-
	<b>6,350</b>	-

**18. CONTINGENT LIABILITIES**

At 30 September 2007, the Group had contingent liabilities in respect of bank guarantees of approximately HK\$1,492,000 (31 March 2007: HK\$1,648,000) issued in favour of third parties.

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

19. RELATED PARTY TRANSACTIONS

Name of related party	Nature of transaction	Six months ended 30 September	
		2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Pak Tak (Kwong Tai)	Sub-contracting income (Note b)	294	3
Knitting Factory Limited	Sales of goods (Note b)	314	7,456
("Pak Tak Kwong Tai")	Sample sales income (Note b)	232	323
(Note a)	Interest income received (Note c)	-	86
	Rental income (Note d)	46	18
	Commission paid (Note e)	-	194
	Letters of credit issued on behalf (Note f)	161	-
Cheng Chi Tai (Note g)	Interest expenses (Note 14)	120	88
Cheng Kwai Chun, John	Interest expenses (Note 15)	120	89

Notes:

- (a) Pak Tak Kwong Tai is an associate company of the Company.
- (b) The transactions were carried out at cost plus a percentage of profit mark-up.
- (c) Interest income received was calculated with reference to the prevailing market rate.
- (d) Rental income received was calculated at the agreed rate.
- (e) Commission paid was calculated at the agreed rate on sales amount.
- (f) No service fee has been charged to the associate company for letters of credit issued on its behalf.
- (g) Interest expenses were payable to the estate of Cheng Chi Tai.