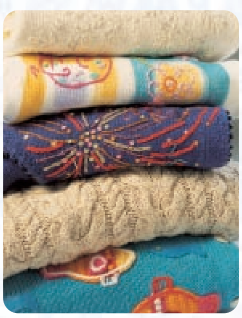
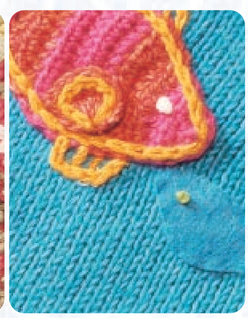
Pak Tak International Limited

百 德 國 際 有 限 公 司

Stock Code: 2668

Annual Report 2008



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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

Tricor Standard Limited
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 2008.

BUSINESS REVIEW

I am pleased to report that for the year ended 31 March 2008, the Group recorded a turnover of approximately HK$354 million, an increase of HK$2 million over the previous year. While China undergoes rapid changes in its economic terrain, the Group maintained the profitability of HK$0.657 million as compared with the previous year's profit of HK$1.036 million. This stable performance despite the recent inflationary pressures in China and the slow-down in the economy of the United States can be attributed to the Group's strength as a high-end knitwear garment manufacturer.

In recent years, the economics of producing in China have undergone significant changes. The continuing rise of the cost of raw materials, the rise of the Renminbi, the new labor law that was enacted in 2007, and the labor shortage in southern China, all contributed to a higher cost structure of doing business in China. The Directors are pleased to report that against such adverse development, the Group's strategic focus on high margin products, coupled with stringent cost control measures have enabled the Group to continue to maintain a stable and profitable operation.

As the Directors have reported in previous years, the Group's increasing reliance on computerized knitting machinery has been the single most important strategy in countering the labor shortage and rising labor cost issues in southern China. Currently, the Group operates with over 370 pieces of computerized machinery. That the automatic process division generated approximately 50% of all sales once again proves the effectiveness of the automation process. The automated production process has also led to better control of subcontracting charges that have contributed to high production costs in the past. The ability of the Group to continue to maintain profitable operations throughout these recent years of rising production cost in China is a clear sign of the Group's strength in sustaining a competitive position in being a knitwear manufacturer.

RESULT HIGHLIGHTS

The results highlights of the result for the year ended 31 March 2008:

- Turnover increased by 0.568% to HK$354 million from HK$352 million for the year ended 31 March 2007;
- Net profit for the year was HK$0.657 million, as compared to net profit of HK$1.036 million for the year ended 31 March 2007;
- Earnings per share for the year were HK0.3 cent, as compared to HK0.4 cent for the year ended 31 March 2007;
- The Group's net current liability at 31 March 2008 was HK$22 million, as compared to net current asset of HK$3 million at 31 March 2007, representing a current ratio of 0.73 (2007: 1.06).

LOOKING FORWARD

With the US economy, being the largest markets for the Group's products, facing a slow-down, the Group expects that overall exports from China to the US would be adversely affected in the short-term. However, with the Group's competitive strength and with its reputation as being a leading, high-end knitwear garment manufacturer, the Group believes that under its controlled-growth strategy, it can survive and flourish in these adverse economic conditions. The management feels that while weaker competitors may face difficulties in enduring economic hardship, the strength of the Group and its competitive position may provide opportunities for the Group to expand its market share during the current downturn. The management team strongly believes in the Group's ability to further strengthen its market position as a leader in high-end knitwear garment production.

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, 18 July 2008

ANALYSIS OF RESULTS

Turnover

For the year ended 31 March 2008, the Group experienced a modest increase in its turnover from HK$352 million in the previous year to approximately HK$354 million. This year's increase in sales mirrors the Group's success achieved in the past 2 years; it further demonstrates the Group's commitment towards the controlled growth policy. The Group opened with a strong start in the year ended 31 March 2008, reporting a 6% higher turnover in the first six months ended 30 September 2007 compared to that in the previous year. This was important for counterbalancing the anticipated fall in sales during the off-peak season and ensuring that the Group would be able to realize an overall positive growth in its turnover.

One of the reasons for the stable increase in the Group's turnover is its investment in computerized knitting machinery. Throughout the year, the Group purchased 131 additional sets of computerized machinery. In addition, its automatic production division operated at close to full capacity. As a result, sales of products made by computerized knitting machinery now account for approximately 50% of total sales of the Group. The consistent performance of the automated machinery and the ability of machines to handle complex patterns have reinforced the Group's reputation as a high-end knitwear manufacturer. The Group's emphasis on automated production could not come at a more opportune time with the unabated labor shortage problem in southern China. It is on the strength of these 300 plus computerized knitwear machinery that the Group's development to become a high-end knitwear manufacturer is founded.

Sales to US customers have remained the major market of the Group relative to total sales, as sales to the US in the year ended 31 March 2008 came to 92% of the total sales of the Group, representing an increase of 15% over the previous year. The increase sales in the US was caused by one customer refocusing on its sales to the US markets.

Profitability

The Group recorded a net profit of HK$0.657 million for the year ended 31 March 2008. Although labor and raw material costs have also increased, their effects on net profit were minimal. The Group offset the effects of higher costs by strengthening its system to control wastage and to improve the efficiency of its labor force. Furthermore, the result of a higher turnover this year stabilized gross profit at approximately the same amount as in the year ended 31 March 2007. Consequently, the Group managed to sustain a similar gross margin as the previous year, of approximately 10.8% (2007: 10.6%).

During the year ended 31 March 2008, the Group experienced an increase in selling expenses primarily as a result of higher quota charges which were incurred because of the introduction of a more stringent quota system due to foreign pressures to regulate exports from China. Quota expenditures increased from approximately HK$1.9 million in the year ended 31 March 2007 to HK$4.2 million in the year ended 31 March 2008. Finance costs also rose by approximately HK$0.6 million due to the use of banking facilities. Throughout the year, the Group incurred a total of HK$5 million in interest charges (2007: HK$4 million).

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2008, total amount of cash and cash equivalents of the Group were approximately HK$10 million, representing a decrease of 8% as compared to 31 March 2007. Most of the funds were held in Hong Kong dollars and US dollars. As at 31 March 2008, the Group was in a net current liability position of HK$22 million (31 March 2007: net current asset of HK$3 million). One of the reason for the net current liability position at year end was that under the terms of purchasing the latest order of computerized knitting machinery, the Group was required to pay the vendors within 12 months of the end of the year. In the period subsequent to the financial year end date, however, the Group has obtained an approval from a bank to finance the payables by way of interest bearing borrowings, converting such liability into a long term debt. The conversion of the character of such liability would improve the liquidity of the Group.

In the year ended 31 March 2008, the Group acquired property, plant and equipment totalling HK$48 million. Due to the significant capital expenditures, the Group's use of banking facilities reached HK$61 million. In addition, the Group also had obligations under finance leases totalling HK$6 million. The Group has available banking facilities totalling HK$130 million (31 March 2007: HK$113 million) which were secured by corporate guarantees given by the Group. The Group's gearing ratio computed as total borrowings over shareholders' fund was 55% as at 31 March 2008 (31 March 2007: 49%).

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 2007, the Renminbi has risen by about 10.3% relative to the Hong Kong dollars and by 10.7% relative to the US dollars. By improving the efficiency of its labor force and placing more reliance on computerized machinery, the Group is able to deflect the effect of the rising Renminbi and maintain a consistent cost structure.

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 2008 (2007: HK$ nil).

CHARGE ON GROUP ASSETS

As at 31 March 2008, certain machinery of the Group with a carrying amount of approximately HK$46 million (2007: approximately HK$2 million) and certain leasehold properties of the Group in Mainland China with a total carrying amount of approximately HK$69 million (2007: HK$ nil) were pledged to secure the interest-bearing borrowings of the Group.

FINANCIAL GUARANTEES ISSUED

At 31 March 2008, the Group had issued corporate guarantees of approximately HK$326,000 (2007: HK$1,648,000) issued in favour of third parties.

At 31 March 2008, 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$130 million (2007: HK$146 million).

The guarantees were issued by the Company and the Group at nil consideration. The transactions were not at arm's length, and it is not possible to measure reliably the fair value of these transactions in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement", had they been at arm's length. Accordingly, the guarantees have not been accounted for as financial liabilities and measured at fair value.

At 31 March 2008, the Directors considered it was not probable that a claim would be made against the Company under any of the guarantees. The maximum liability of the Company at the balance sheet date under the guarantees issued was the facilities drawn down by the subsidiaries of HK$61 million (2007: HK$49 million).

CAPITAL EXPENDITURES AND COMMITMENTS

During the year ended 31 March 2008, the Group had incurred capital expenditures of HK$48 million (2007: HK$23 million).

Capital commitment outstandings at 31 March 2008 not provided for in the financial statements were as follows:

	2008 ***HK$'000***	2007 *HK$'000*
Authorised and contracted for		
– acquisition of property, plant and equipment	**14,430**	–

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2008, the Group had approximately 316 (2007: 389) employees. The Group's remuneration package is structured to commensurate with individual responsibilities, qualification, experience and performance.

FUTURE PROSPECTS

In recent years, the changing economics and circumstances of doing business in China have led to many factories in the southern China region either relocating or in fact ceasing operations. This change in the composition of the industry has given the opportunity for a manufacturer with the strength of our Group to survive and flourish. The Group believes that the solid foundation that it has built with its own factory and its experience and expertise as a manufacturer will enable it to extend its growth in the knitwear market.

EXECUTIVE DIRECTORS

Mr. CHENG Kwai Chun, John, aged 36, 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 49, 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 of experience in knitwear and garment manufacturing, and particularly in hand-knitted garments.

Mr. LIN Wing Chau, aged 51, 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 52, 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 55, 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 of Hong Kong Limited. 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 57, is a partner of Wong Brothers & Company, Certified Public Accountants. Mr. Chow is also an independent non-executive director of China Aerospace International Holdings Limited whose shares are listed on The Stock Exchange of Hong Kong Limited. 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 35, 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 a partner of a law firm.

SENIOR MANAGEMENT

Mr. CHAN Kwok Ming, aged 47, 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 12 years' experience in garment manufacturing field. Mr. Chan is responsible for the whole Group's financial management, management information system includes ERP systems, company finance and investment matters.

Ms. IP Yee Ching, aged 39, is responsible for handling all external corporate communications, public affairs and media interviews. Ms. Ip joined the Group in 1998 and has 10 years of experience in corporate communication.

Ms. CHENG Lai Shan, Lisa, aged 39, 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 40, is responsible for the overall garments production process of the Group. Ms. Poon joined the Group in 1987 and has over 20 years of experience in the garment trading.

Mr. LIN Chik Wai, aged 51, 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 2008.

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 knit-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 17 and 18 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 2008 is set out in note 13 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2008, the five largest customers of the Group together accounted for approximately 76% of the Group's total turnover, with the largest customer accounted for approximately 24% 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 2008, with the largest supplier accounted for approximately 11% 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 2008 are set out in the consolidated income statement on page 19 of this Annual Report.

FINANCIAL SUMMARY

A financial summary of the Group for the past five financial years is set out on page 64 of this Annual Report.

RESERVES

Movements in reserves of the Group during the year are set out on page 53 of this Annual Report.

BORROWINGS

The Group had bank borrowings and obligations under finance leases totaling HK$66 million at 31 March 2008.

CHARITABLE DONATIONS

No charitable donations were made by the Group for the year ended 31 March 2008.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group's additions to property, plant and equipment amounted to HK$48 million.

Movements in the property, plant and equipment of the Group for the year ended 31 March 2008 are set out in note 14 to the financial statements.

SHARE CAPITAL

Details in the share capital of the Company are set out in note 33(c) to the financial statements.

DIRECTORS

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

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

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. Chow Chan Lum and Ms. Ko Hay Yin, Karen 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 8 to 9 of this Annual Report.

DIRECTORS' INTERESTS IN SECURITIES

At 31 March 2008, 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	60,420,000	Beneficial Owner	25.55%
	40,314,280 *(Note)*	Controlled Corporation	17.05%

Note: 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.

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 unconditioned. 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 Group, 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 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 2008.

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.

COMPETING INTERESTS

At 31 March 2008, 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float of more than 25% of the Company's issued shares as at 24 July 2008 (i.e., the latest practicable date prior to the printing of this Annual Report).

SUBSTANTIAL SHAREHOLDERS

At 31 March 2008, 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	60,420,000	Trustee	25.55% *(Note 1)*
Best Ahead Limited	40,314,280	Beneficial	17.05% *(Note 2)*

Notes:

1. HSBC International Trustee Limited ("HSBC") is incorporated in the British Virgin Islands and is the trustee of The Brighton Trust, a discretionary trust. Such shares are currently held by HSBC for the benefit of a family member of Mr. Cheng Chi Tai, the former chairman and a director of the Company, who passed away in January 2007. The said beneficiary is not a director of the Company.

2. Best Ahead Limited is incorporated in the British Virgin Islands, the entire issued share capital of which was beneficially owned by Mr. Cheng Chi Tai, the former chairman and a director of the Company, who passed away in January 2007. Such shares now form part of the estates of Mr. Cheng Chi Tai 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, so far as was known to any Director or chief executive of the Company, no other person had any other 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 2008.

As at 31 March 2008, 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 2008.

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, 2007 and 2008.

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
Victor Robert Lew
Chairman

Hong Kong, 18 July 2008

The Directors are pleased to report that throughout the year ended 31 March 2008, 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 2008.

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 8 to 9 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	4/4	2/2	1/1	0/0
Mr. Lin Chick Kwan	3/4	N/A	N/A	N/A
Mr. Lin Wing Chau	4/4	N/A	N/A	N/A
Mr. Victor Robert Lew	4/4	2/2	1/1	N/A
Ms. Ko Hay Yin, Karen	0/4	1/2	0/1	0/0
Mr. Chow Chan Lam	3/4	2/2	1/1	0/0
Ms. Ho Man Yee, Esther	1/4	2/2	1/1	0/0

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.

In accordance with the Company's Bye-laws, Mr. Chow Chan Lum and Ms. Ko Hay Yin, Karen will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election. Other than Ms. Ho Man Yee, Esther, the independent non-executive Directors have been serving 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 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 27 March 2008 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 2008.

The amount of audit fee for the year ended 31 March 2008 was HK$480,000 (2007: HK$440,000). The amount of non-audit fees payable to the auditors of the Company for the year ended 31 March 2008 was HK$110,000 (2007: HK$100,000). The Audit Committee is of the view that the auditors' independence was not affected by the provision of these non-audit related services.

The Audit Committee has recommended to the Board 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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CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT 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 19 to 63, which comprise the consolidated and company balance sheets as at 31 March 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 auditor considers 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 31 March 2008 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, 18 July 2008

Andrew David Ross
Practising certificate number P01183

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Notes	**2008** **HK$'000**	2007 HK$'000
Turnover	*4*	**354,088**	352,151
Cost of sales		**(315,789)**	(314,890)
Gross profit		**38,299**	37,261
Other revenue	*5*	**1,816**	1,972
Other net income	*5*	**875**	2,615
Administrative expenses		**(28,124)**	(32,666)
Selling expenses		**(7,909)**	(6,075)
Profit from operations		**4,957**	3,107
Finance costs	*6(a)*	**(4,754)**	(4,160)
Share of results of an associate		**699**	2,139
Profit before taxation	*6*	**902**	1,086
Income tax	*7*	**(245)**	(50)
Profit attributable to shareholders	*10*	**657**	1,036
Dividend	*11*	**–**	–
		HK cent	*HK cent*
Earnings per share	*12*	**0.3**	0.4

The notes on pages 24 to 63 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	14	**202,291**	175,202
Prepaid land premiums	15	**7,690**	7,622
Investment properties	16	**3,918**	3,855
Interest in an associate	18	**4,240**	3,541
		218,139	190,220
Current assets			
Inventories	19	**34,282**	34,146
Trade receivables	20	**6,151**	8,470
Other receivables, prepayments and deposits	21	**6,449**	3,951
Amount due from an associate	18	**2,053**	4,581
Cash and cash equivalents	22	**10,295**	11,163
		59,230	62,311
Current liabilities			
Trade payables	23	**9,039**	10,899
Bills payable	24	**990**	5,095
Other payables and accrued charges	25	**27,387**	12,376
Amounts due to minority shareholders of a subsidiary	26	**3,358**	3,314
Interest-bearing borrowings	27	**27,801**	23,074
Obligations under finance leases	28	**4,342**	4,136
Other short term loan	29	**8,500**	–
		81,417	58,894
Net current (liabilities)/assets		**(22,187)**	3,417
Total assets less current liabilities		**195,952**	193,637
Non-current liabilities			
Interest-bearing borrowings	27	**32,302**	19,631
Obligations under finance leases	28	**1,668**	6,001
Amount due to a director	30	**8,500**	8,500
Other long term loan	29	**–**	8,500
Deferred tax liability	31	**421**	176
Provision for long service payments	32	**1,135**	885
		44,026	43,693
NET ASSETS		**151,926**	149,944
CAPITAL AND RESERVES	33		
Share capital		**23,640**	23,640
Reserves		**128,286**	126,304
TOTAL EQUITY		**151,926**	149,944

Approved and authorised for issue by the Board of Directors on 18 July 2008.

Victor Robert Lew
Director

Cheng Kwai Chun, John
Director

The notes on pages 24 to 63 form part of these financial statements.

BALANCE SHEET

At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current asset			
Investments in subsidiaries	*17*	**113,303**	113,303
Current assets			
Other receivables, prepayments and deposits	*21*	**199**	185
Amounts due from subsidiaries	*17*	**30,495**	30,627
Cash and cash equivalents		**9**	15
		30,703	30,827
Current liabilities			
Accrued charges		**401**	423
Amount due to a subsidiary	*17*	**24**	24
		425	447
Net current assets		**30,278**	30,380
NET ASSETS		**143,581**	143,683
CAPITAL AND RESERVES	*33*		
Share capital		**23,640**	23,640
Reserves		**119,941**	120,043
TOTAL EQUITY		**143,581**	143,683

Approved and authorised for issue by the Board of Directors on 18 July 2008.

Victor Robert Lew
Director

Cheng Kwai Chun, John
Director

The notes on pages 24 to 63 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	2008	2007
	HK$'000	*HK$'000*
Shareholders' equity at 1 April	**149,944**	144,744
Exchange differences arising on translation of overseas operations not recognised in consolidated income statement	**1,325**	4,164
Profit for the year	**657**	1,036
Shareholders' equity at 31 March	**151,926**	149,944

The notes on pages 24 to 63 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Operating activities			
Profit from operations		**4,957**	3,107
Adjustments for:			
– Provision for long service payments	32	**250**	82
– Interest income	5	**(117)**	(238)
– Provision for inventories	6(c)	**2,628**	644
– Impairment loss on trade receivables	6(c)	**167**	2,011
– Reversal of impairment loss on amount due from an associate		**–**	(2,099)
– (Gain)/loss on disposal of property, plant and equipment	5, 6(c)	**(439)**	38
– Depreciation of property, plant and equipment	6(c)	**22,440**	16,279
– Amortisation of prepaid land premiums	6(c)	**183**	180
– Exchange realignment		**(77)**	47
Operating profit before changes in working capital		**29,992**	20,051
(Increase)/decrease in inventories		**(2,764)**	6,742
Decrease in trade receivables		**2,152**	5,974
(Increase)/decrease in other receivables, prepayments and deposits		**(2,498)**	3,701
Decrease/(increase) in an amount due from an associate		**2,528**	(1,414)
Decrease in trade payables		**(1,860)**	(1,281)
(Decrease)/increase in bills payable		**(4,105)**	3,262
Increase in other payables and accrued charges		**20,174**	1,601
Cash generated from operations		**43,619**	38,636
Interest received		**117**	238
Net cash generated from operating activities		**43,736**	38,874
Investing activities			
Purchase of property, plant and equipment		**(48,498)**	(23,089)
Proceeds from disposal of property, plant and equipment		**493**	52
Net cash used in investing activities		**(48,005)**	(23,037)
Financing activities			
New interest-bearing borrowings raised		**121,758**	53,486
Repayments of interest-bearing borrowings		**(109,523)**	(60,729)
Interest paid		**(4,754)**	(4,160)
Capital element of finance leases rental payments		**(4,127)**	(3,778)
Net cash generated from/(used in) financing activities		**3,354**	(15,181)
Net (decrease)/increase in cash and cash equivalents		**(915)**	656
Cash and cash equivalents at 1 April	22	**11,163**	10,372
Effect of foreign exchange rate changes		**47**	135
Cash and cash equivalents at 31 March	22	**10,295**	11,163

The notes on pages 24 to 63 form part of these financial statements.

1. GENERAL

Pak Tak International Limited (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, the 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. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for year ended 31 March 2008 comprise the Company and its subsidiaries (together referred to as "the Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying 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 the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 40.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)(ii)).

(d) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognised for the year (see note 2(j)(ii)).

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate is the carrying amount of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred, in which case they are recognised immediately in profit or loss.

In the Company's balance sheet, an investment in an associate is stated at cost less impairment losses (see note 2(j)(ii)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. In respect of associates the carrying amount of goodwill is included in the carrying amount of the interests in the associates.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Property, plant and equipment

Items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(j)(ii)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

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%

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(g) 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.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leased assets *(Continued)*

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(j)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(i) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated at cost less accumulated depreciation and impairment losses. Depreciation 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 profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised.

For trade and other receivables, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– investment properties; and

– investments in subsidiaries and associate.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and the, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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 profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare interim financial report in compliance with HKAS 34 "Interim financial reporting" in respect of the six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(j)(i) and (ii)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out method and comprises all cost of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) 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 (see note 2(j)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) 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 the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group operates a mandatory provident fund scheme in Hong Kong and defined contribution government pension schemes in the People's Republic of China (the "PRC").

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Employee benefits *(Continued)*

(i) Short term employee benefits and contributions to defined contribution retirement plans (Continued)

Contributions to mandatory provident fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in profit or loss as incurred.

The employees in the PRC are members of the retirement benefit scheme organised by the government in the PRC. The Group is required to contribute, based on a certain percentage of payrolls, to the retirement benefit scheme to fund the benefits. The only obligation of the group with respect to the retirement benefit scheme is to make the required contributions under the scheme. Contributions to this retirement benefit scheme are recognised as an expense in profit or loss as incurred except to the extent that they are included in the cost of inventories at the balance sheet date.

(ii) 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.

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share-based payment reserve within equity. The fair value is measured at grant date using the Black Scholes model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability than the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based payment reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based payment reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based payment reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Income tax *(Continued)*

Deferred tax assets and liabilities arise from deductible and taxable temporary difference respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") 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 Group 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 in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(r)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of goods

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

(ii) Sub-contracting income

Sub-contracting income is recognised when services are rendered.

(iii) Interest income

Interest income recognised as it accrues using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transactions dates.

The resulting of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(u) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred.

(v) Temporary textile quota entitlement

The cost of temporary textile quota entitlement is charged to profit or loss at the time of utilisation.

(w) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. For example, segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7 "Financial instruments: Disclosures" and the amendment to HKAS 1 "Presentation of financial statements: Capital disclosures", there have been certain additional disclosures provided.

As a result of the adoption of HKFRS 7, the financial statements included expanded disclosures about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32 "Financial instruments: Disclosure and presentation". These disclosures are provided throughout these financial statements, in particular in note 35.

The amendment to HKAS 1 introduces additional disclosures requirements to provide information about the level of capital and the Group and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 33.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements.

The Group and the Company have not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 41).

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:

	2008 HK$'000	2007 HK$'000
Sales of goods	**352,258**	348,060
Sub-contracting income	**1,830**	4,091
	354,088	352,151

5. OTHER REVENUE AND NET INCOME

	2008 HK$'000	2007 HK$'000
Other revenue		
Interest income	**117**	238
Sale of scraps materials	**972**	1,080
Sundry	**727**	654
	1,816	1,972
Other net income		
Exchange gains, net	**436**	516
Gain on disposal of property, plant and equipment	**439**	–
Reversal of impairment loss on amount due from an associate	**–**	2,099
	875	2,615

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging:

(a) Finance costs:

	2008 HK$'000	2007 HK$'000
Implied interest on financing the acquisition of property, plant and equipment	**718**	174
Interest on bank loans wholly repayable within five years	**2,907**	3,042
Interest on loans from other financial institutions wholly repayable within five years	**168**	–
Interest on amounts due to directors	**327**	380
Interest on other short/long term loan	**235**	40
Finance charges on finance leases	**399**	524
	4,754	4,160

6. PROFIT BEFORE TAXATION *(Continued)*

(b) Staff costs:

Salaries, allowances and other benefits	**88,686**	89,498
Contributions to defined contribution retirement plans	**611**	779
Provision for long service payments	**250**	82
	89,547	90,359

(c) Other items:

Auditor's remuneration	**488**	457
Amortisation of prepaid land premiums	**183**	180
Cost of inventories sold *(Note)*	**315,789**	314,890
Cost of temporary textile quota entitlements	**4,214**	1,900
Depreciation on property, plant and equipment	**22,440**	16,279
Impairment loss on trade receivables	**167**	2,011
Loss on disposal of property, plant and equipment	**–**	38
Operating lease rentals: minimum lease payments		
– property rentals	**694**	936
– plant and machinery	**179**	4,126
Provision for inventories	**2,628**	644

Note: Cost of inventories includes HK$95,377,000 (2007: HK$90,939,000) relating to staff costs, depreciation and amortisation expenses, operating lease payments and provision for inventories, which amount is also included in the respective total amounts disclosed separately above or note 6(b) for each of these types of expenses.

7. INCOME TAX

The charge comprises deferred tax charge of approximately HK$245,000 (2007: HK$50,000) (Note 31).

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 agreed tax losses brought forward in excess of the estimated assessable profit for the year.

Reconciliation between the income tax expense and accounting profit at the applicable tax rates:

	2008	2007
	HK$'000	*HK$'000*
Profit before taxation	**902**	1,086
Less: Profit of an associate	**(699)**	(2,139)
	203	(1,053)
Notional tax/(tax credit) at Hong Kong Profits Tax rate of 17.5% (2007: 17.5%)	**36**	(184)
Tax effect of expenses not deductible for tax purpose	**3,244**	3,408
Tax effect of income not taxable	**(3,470)**	(3,962)
Tax effect of tax losses not recognised	**759**	1,316
Utilisation of tax losses previously not recognised	**(324)**	(528)
Actual tax expense	**245**	50

8. DIRECTORS' REMUNERATION

Details of directors' remuneration for the years ended 31 March 2008 and 2007 are set out below:

	Directors' fees		Salaries, allowances and benefits in kind		Retirement scheme contributions		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Executive directors								
Cheng Chi Tai (deceased on 25 January 2007)	**–**	–	**–**	1,149	**–**	11	**–**	1,160
Cheng Kwai Chun, John	**–**	–	**833**	773	**12**	12	**845**	785
Lin Chick Kwam	**–**	–	**807**	807	**12**	12	**819**	819
Lin Wing Chau	**–**	–	**807**	807	**12**	12	**819**	819
Non-executive director								
Lew Victor Robert	**–**	–	**240**	11	**2**	–	**242**	11
Independent non-executive directors								
Ko Hay Yin, Karen	**60**	40	**–**	–	**–**	–	**60**	40
Chow Chan Lum	**60**	40	**–**	–	**–**	–	**60**	40
Ho Man Yee, Esther	**60**	40	**–**	–	**–**	–	**60**	40
	180	120	**2,687**	3,547	**38**	47	**2,905**	3,714

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2007: four) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2007: one) individuals are as follows:

	2008	2007
	HK$'000	*HK$'000*
Salary and other emoluments	**989**	306
Performance related incentive payments	**164**	195
Retirement scheme contributions	**24**	12
	1,177	513

The emoluments of the two (2007: one) individuals with the highest emoluments are within the following band:

	No. of persons	
	2008	2007
HK$Nil – HK$1,000,000	**2**	1

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company includes a loss of HK$102,000 (2007: HK$59,000) which has been dealt with in the financial statements of the Company.

11. DIVIDEND

The directors do not recommend the payment of dividend for the year ended 31 March 2008 (2007: HK$Nil).

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders of the Company of HK$657,000 (2007: HK$1,036,000) and on 236,402,000 (2007: 236,402,000) ordinary shares in issue during the year.

The diluted earnings per share has not been presented as there were no potential dilutive ordinary shares in existence during the two years ended 31 March 2008 and 2007.

13. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) Business segments

The Group's principal activities comprise the following main business segments:

(i) Sales of knit-to-shape garments

(ii) Sub-contracting

RESULTS

	Turnover		**Contribution to profit/(loss)**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sales of knit-to-shape garments	**352,258**	348,067	**1,309**	2,874
Sub-contracting	**99,685**	15,391	**3,021**	(487)
Less: Inter-segment transactions	**(97,855)**	(11,307)	**(2,064)**	(3,867)
	354,088	352,151	**2,266**	(1,480)
Other operating income			**2,691**	4,587
Profit from operations			**4,957**	3,107
Finance costs			**(4,754)**	(4,160)
Share of results of an associate			**699**	2,139
Profit before taxation			**902**	1,086
Income tax			**(245)**	(50)
Profit for the year			**657**	1,036

Inter-segment sales for the years ended 31 March 2008 and 2007 from sub-contracting segment to sales of knit-to-shape garments segment were charged at cost plus a percentage profit markup.

13. SEGMENT REPORTING *(Continued)*

(a) Business segments *(Continued)*

FINANCIAL POSITION

	2008 **HK$'000**	2007 *HK$'000*
Assets		
Segment assets:		
– Knit-to-shape garments	**224,205**	191,911
– Sub-contracting	**32,988**	37,354
– Unallocated segment assets	**3,918**	3,855
Total segment assets	**261,111**	233,120
Unallocated corporate assets	**16,258**	19,411
Consolidated total assets	**277,369**	252,531
Liabilities		
Segment liabilities:		
– Knit-to-shape garments	**92,119**	64,601
– Sub-contracting	**16,324**	20,986
Total segment liabilities	**108,443**	85,587
Unallocated corporate liabilities	**17,000**	17,000
Consolidated total liabilities	**125,443**	102,587
Capital additions in segment assets		
– Knit-to-shape garments	**48,491**	17,142
– Sub-contracting	**7**	5,947
	48,498	23,089
Depreciation and amortisation		
– Knit-to-shape garments	**17,340**	11,867
– Sub-contracting	**5,283**	4,592
	22,623	16,459
Impairment loss on trade receivables		
– Knit-to-shape garments	**167**	2,011

13. SEGMENT REPORTING *(Continued)*

(b) Geographical segments

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	
	2008	2007
	HK$'000	*HK$'000*
United States of America	**327,217**	283,971
Europe	**9,613**	21,538
Asia	**7,542**	40,106
Australia	**1,465**	1,505
Others	**8,251**	5,031
	354,088	352,151

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**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China	**207,057**	175,345	**47,973**	17,033
Hong Kong	**33,630**	35,968	**525**	6,056
Thailand	**20,424**	21,807	**–**	–
Total segment assets	**261,111**	233,120	**48,498**	23,089
Unallocated corporate assets	**16,258**	19,411		
Consolidated total assets	**277,369**	252,531		

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 April 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 31 March 2007	120,244	12,776	119,445	6,587	7,881	266,933
At 1 April 2007	120,244	12,776	119,445	6,587	7,881	266,933
Exchange realignment	1,063	219	824	21	46	2,173
Additions	–	2,797	44,638	824	239	48,498
Eliminated on disposals	–	–	(997)	(307)	(1,994)	(3,298)
At 31 March 2008	121,307	15,792	163,910	7,125	6,172	314,306
Depreciation and impairment						
At 1 April 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 31 March 2007	23,438	5,268	49,595	5,820	7,610	91,731
At 1 April 2007	23,438	5,268	49,595	5,820	7,610	91,731
Exchange realignment	206	160	669	20	33	1,088
Provided for the year	3,194	449	17,968	653	176	22,440
Eliminated on disposals	–	–	(950)	(299)	(1,995)	(3,244)
At 31 March 2008	26,838	5,877	67,282	6,194	5,824	112,015
Carrying amount						
At 31 March 2008	94,469	9,915	96,628	931	348	202,291
At 31 March 2007	96,806	7,508	69,850	767	271	175,202

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

An analysis of the carrying amount of the Group's land and buildings is set out below:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Under medium term leases		
Hong Kong	**5,595**	5,742
The People's Republic of China ("Mainland China")	**72,610**	74,055
Freehold		
Thailand	**16,264**	17,009
	94,469	96,806

As at 31 March 2008, the carrying amount of motor vehicles and plant and machinery held under finance leases were HK$Nil (2007: HK$59,000) and HK$9,809,000 (2007: HK$12,066,000) respectively.

15. PREPAID LAND PREMIUMS

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Cost		
At 1 April	**9,128**	9,010
Exchange realignment	**265**	118
At 31 March	**9,393**	9,128
Amortisation		
At 1 April	**1,506**	1,322
Exchange realignment	**14**	4
Provided for the year	**183**	180
At 31 March	**1,703**	1,506
Carrying amount	**7,690**	7,622

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

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Under medium term leases		
Hong Kong	**2,928**	3,004
Mainland China	**4,762**	4,618
	7,690	7,622

16. INVESTMENT PROPERTIES

	The Group	
	2008	2007
	HK$'000	*HK$'000*
At cost		
At 1 April	**3,855**	3,173
Exchange realignment	**63**	682
At 31 March	**3,918**	3,855

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$13,791,000.

17. SUBSIDIARIES

	The Company	
	2008	2007
	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	**30,495**	30,627
Amount due to a subsidiary	**24**	24

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 (2007: 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.

17. SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries as at 31 March 2008 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 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 and trading in knit-to-shape garments
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%	Dormant
Pak Tak (America) Inc.	U.S.A.	US$10	100%	Dormant

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.

18. AN ASSOCIATE

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Share of net assets	**4,240**	3,541
Amount due from an associate	**2,053**	4,581

The amount due from an associate is unsecured, interest free and repayable on demand.

Particulars of the associate as at 31 March 2008 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

An extract of the operating results and financial position of the Group's associate, based upon its financial statements for the years ended 31 March 2008 and 2007, is as follows:

	2008	2007
	HK$'000	*HK$'000*
Operating results		
Turnover	**107,657**	112,289
Profit before taxation	**1,690**	5,368
Income tax	**(263)**	(1,001)
Profit after taxation	**1,427**	4,367
Group's share of profit after taxation	**699**	2,139
Financial position		
Non-current assets	**9,721**	5,160
Current assets	**31,222**	20,773
Current liabilities	**(28,914)**	(18,468)
Non-current liabilities	**(3,375)**	(238)
Net assets	**8,654**	7,227
Group's share of net assets	**4,240**	3,541

19. INVENTORIES

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Inventories in the balance sheet comprise:		
Raw materials	**11,490**	16,935
Work in progress	**17,421**	10,581
Finished goods	**5,371**	6,630
	34,282	34,146

20. TRADE RECEIVABLES

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**8,329**	10,481
Less: allowance for doubtful debts (*Note 20(b)*)	**(2,178)**	(2,011)
	6,151	8,470

All trade receivables are expected to be recovered within one year.

Included in trade receivables is the following amount denominated in a currency other than the Company's functional currency:

	The Group	
	2008	2007
	'000	*'000*
United States Dollars	**US$743**	US$991

(a) Ageing analysis

The following is an ageing analysis of trade receivables (net of allowance for doubtful debts):

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Current	**243**	570
Less than one month past due	**3,514**	816
1 to 3 months past due	**216**	4,293
More than 3 months past due	**2,178**	2,791
Amounts past due	**5,908**	7,900
	6,151	8,470

Trade receivables are due within 30 days from the date of billing. Further details on the Group's credit policy are set out in note 35(a).

20. TRADE RECEIVABLES *(Continued)*

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 2(j)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
At 1 April	**2,011**	–
Impairment loss recognised	**167**	2,011
At 31 March	**2,178**	2,011

At 31 March 2008, the Group's trade receivables of approximately HK$4,356,000 were individually determined to be impaired. The individually impaired receivables related to an overseas customer who has trade disputes with the Group and has been outstanding over two years. The Group has commenced legal proceedings against this debtor to demand payment and was awarded a default judgement in March 2008. Management assessed that only a portion of the receivables is expected to be recovered. Consequently, a total specific allowance for doubtful debts of HK$2,178,000 was recognised as at 31 March 2008. The Group does not hold any collateral over these balances.

After making allowance for doubtful debts, the directors considered that the carrying amount of trade receivables approximated its fair value.

(c) Trade receivables that are not impaired

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

21. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

Included in other receivables, prepayments and deposits in the balance sheet are the following amounts denominated in a currency other than the Company's functional currency:

	The Group		The Company	
	2008	2007	**2008**	2007
	'000	*'000*	***'000***	*'000*
Renminbi	**RMB1,355**	RMB378	**–**	–
Thai Baht	**THB198**	THB367	**–**	–
United States Dollars	**US$28**	US$123	**US$4**	US$4

22. CASH AND CASH EQUIVALENTS

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Cash and bank balances	**10,295**	11,163

Included in cash and cash equivalents in the balance sheet are the following amounts denominated in a currency other than the Company's functional currency:

	The Group	
	2008	2007
	'000	*'000*
Japanese Yen	**–**	JPY53,231
Renminbi	**RMB315**	RMB421
Thai Baht	**THB1,737**	THB919
United States Dollars	**US$769**	US$449

23. TRADE PAYABLES

The following is an ageing analysis of trade payables:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**5,218**	5,929
31 – 60 days	**2,061**	1,881
61 – 90 days	**1,160**	1,461
Over 90 days	**600**	1,628
	9,039	10,899

Included in trade payables in the balance sheet are the following amounts denominated in a currency other than the Company's functional currency:

	The Group	
	2008	2007
	'000	*'000*
Renminbi	**–**	RMB9
United States Dollars	**US$124**	US$170

24. BILLS PAYABLE

Included in bills payable in the balance sheet is the following amount denominated in a currency other than the Company's functional currency:

	The Group	
	2008	2007
	'000	*'000*
United States Dollars	**US$104**	US$335

25. OTHER PAYABLES AND ACCRUED CHARGES

Included in other payables and accrued charges in the balance sheet are the following amounts denominated in a currency other than the Company's functional currency:

	The Group	
	2008	2007
	'000	*'000*
Renminbi	**RMB5,847**	RMB3,495
Thai Baht	**THB953**	THB1,103
United States Dollars	**US$2,141**	US$25

26. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF A SUBSIDIARY

The amounts due are unsecured, interest free and have no fixed terms of repayment.

Included in amounts due to minority shareholders of a subsidiary in the balance sheet is the following amount denominated in a currency other than the Company's functional currency:

	The Group	
	2008	2007
	'000	*'000*
Thai Baht	**THB11,000**	THB11,000

27. INTEREST-BEARING BORROWINGS

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Bank loans	**47,269**	42,705
Borrowings from other financial institutions	**12,834**	–
	60,103	42,705
The maturity profile of the borrowings is as follows:		
Within 1 year	**27,801**	23,074
After 1 year but within 2 years	**16,801**	11,619
After 2 years but within 5 years	**15,501**	8,012
	60,103	42,705
Less: Amount due within one year classified as current liabilities	**(27,801)**	(23,074)
Amount due after one year	**32,302**	19,631

The interest-bearing borrowings comprise an amount of HK$14,053,000 (2007: HK$2,136,000) which is secured by pledge of certain machinery of the Group with a carrying amount of HK$19,980,000 (2007: HK$2,512,000) at 31 March 2008, and an amount of HK$46,050,000 (2007: HK$40,569,000) which is secured by certain Group's leasehold properties in Mainland China with a total carrying amount of HK$68,689,000 (2007: HK$Nil), certain machinery of the Group with a carrying amount of HK$25,929,000 (2007: HK$Nil), pledged bank deposits of a director, personal guarantee of not less than HK$21,050,000 (2007: HK$Nil) from a director and a legal charge on a property owned by a company controlled by a director.

28. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The Group				
Amount payable under finance leases:				
Within 1 year	**4,477**	4,520	**4,342**	4,136
After 1 year but within 2 years	**1,667**	4,477	**1,630**	4,276
After 2 years but within 5 years	**39**	3,460	**38**	1,725
	6,183	12,457	**6,010**	10,137
Less: Future finance charges	**(173)**	(2,320)	**–**	–
Present value of lease obligations	**6,010**	10,137	**6,010**	10,137
Less: Amount due within one year classified as current liabilities			**(4,342)**	(4,136)
Amount due after one year			**1,668**	6,001

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 rates for the other leases were fixed at the contract date and the average effective rate for the year was 5% (2007: 4%) per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

29. OTHER SHORT/LONG TERM LOAN

The loan, payable to the estate of Cheng Chi Tai (a former 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.

30. 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 that it will not be required to repay any part of the amount due in the next 12 months.

31. 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 *HK$'000*	**Tax losses** *HK$'000*	**Total** *HK$'000*
The Group			
At 1 April 2006	8,422	(8,296)	126
Charged/(credited) to income statement *(Note 7)*	2,061	(2,011)	50
At 31 March 2007	10,483	(10,307)	176
Charged/(credited) to income statement *(Note 7)*	2,445	(2,200)	245
At 31 March 2008	12,928	(12,507)	421

At 31 March 2008, the Group has unused tax losses of approximately HK$125,323,000 (2007: HK$110,530,000). A deferred tax asset has been recognised in respect of approximately HK$71,470,000 (2007: HK$58,898,000) of such losses. No deferred tax asset has been recognised in respect of the remaining balance of approximately HK$53,853,000 (2007: HK$51,632,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$44,473,000 (2007: HK$42,591,000) that will expire within five years. Other losses may be carried forward indefinitely.

The Company

No deferred tax assets or liabilities have been made in the financial statements as the Company does not have any temporary differences.

32. 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 31 March 2008 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.

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

Discount rate	2.75% per annum
Expected rate of salary increases	3.00% per annum

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

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

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Current service cost	**(16)**	(12)
Interest cost	**34**	34
Actuarial loss	**232**	60
	250	82

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

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

	The Group	
	2008	2007
	HK$'000	*HK$'000*
At 1 April	**885**	803
Amount charged to income statement	**250**	82
At 31 March	**1,135**	885

33. CAPITAL AND RESERVES

(a) The Group

	Share capital	**Share premium**	**Special reserve**	**Exchange reserve**	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	–	–	–	4,164	–	4,164
Profit for the year	–	–	–	–	1,036	1,036
At 31 March 2007	23,640	5,987	32,680	4,713	82,924	149,944
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	–	–	–	1,325	–	1,325
Profit for the year	–	–	–	–	657	657
At 31 March 2008	23,640	5,987	32,680	6,038	83,581	151,926

33. CAPITAL AND RESERVES *(Continued)*

(b) The Company

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2006	23,640	5,987	181,059	(66,944)	143,742
Loss for the year	–	–	–	(59)	(59)
At 31 March 2007	23,640	5,987	181,059	(67,003)	143,683
At 1 April 2007	23,640	5,987	181,059	(67,003)	143,683
Loss for the year	–	–	–	(102)	(102)
At 31 March 2008	23,640	5,987	181,059	(67,105)	143,581

(c) Share capital

Authorised and issued share capital

	2008 No. of shares '000	**2008 HK$'000**	2007 No. of shares '000	2007 HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**500,000**	**50,000**	500,000	50,000
Ordinary shares, issued and fully paid:				
At 1 April and 31 March	**236,402**	**23,640**	236,402	23,640

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Bermuda Companies Act 1981 (as amended).

(ii) Special reserve

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 reorganization in 2001 and the share premium of Addlink Limited arising from issue of shares of Addlink Limited in connection with the debt assignment.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries. The reserve is dealt with in accordance with the accounting policy set out in note 2(t).

33. CAPITAL AND RESERVES *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(iv) Contributed surplus

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 9 November 2001 and has been adjusted for the dividend declared from this reserve after 9 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.

(e) Distributability of reserves

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

	2008	2007
	HK$'000	*HK$'000*
Contributed surplus	**181,059**	181,059
Accumulated losses	**(67,105)**	(67,003)
	113,954	114,056

(f) Capital management

The Group's objectives to manage capital are to safeguard the Group so as to continue as a going concern. All the financing had been considered with reasonable cost.

The Group regularly reviews its capital structure on the basis of a gearing ratio computed as total debt over shareholders' fund. For this purpose, the Group defines total debt as total borrowings (which includes bills payable, bank and other borrowings, obligations under finance leases, amount due to a director and other short/long term loan). Total shareholders' fund comprises all components of equity.

During 2008, the Group's strategy is to maintain the gearing ratio with a range from 45% to 55%.

33. CAPITAL AND RESERVES *(Continued)*

(f) Capital management *(Continued)*

The gearing ratio at 31 March 2008 and 2007 was as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Current liabilities		
Bills payable	**990**	5,095
Interest-bearing borrowings	**27,801**	23,074
Obligations under finance leases	**4,342**	4,136
Other short term loan	**8,500**	–
	41,633	32,305
Non-current liabilities		
Interest-bearing borrowings	**32,302**	19,631
Obligations under finance leases	**1,668**	6,001
Amount due to a director	**8,500**	8,500
Other long term loan	**–**	8,500
	42,470	42,632
Total debt	**84,103**	74,937
Total shareholders' fund	**151,926**	149,944
Gearing ratio	**55%**	49%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

34. 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 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: (i) the nominal value of the shares; or (ii) 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 (iii) 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.

34. SHARE OPTION SCHEME *(Continued)*

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.

35. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade receivables, amount due from an associate and bank balances. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash and cash equivalents are normally placed at financial institutions that have sound credit rating.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables are due within 30 days from the date of billing. Debtors with balances over 90 days are monitored tightly and regularly. Normally, the Group's does not obtain collateral from customers. Default risk of the industry and country are influenced on a lesser extent because most of the Group's customers mainly come from USA with higher credit-ratings.

At the balance sheet date, the Group had a certain concentration of credit risk as 27% (2007: 23%) and 81% (2007: 71%) of the total trade receivables was due from the Group's one customer and five customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the balance sheet. Except as disclosed in note 37, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of the financial guarantees at the balance sheet date is disclosed in note 37.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 20.

35. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

	2008					2007				
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
The Group										
Trade payables	9,039	9,039	9,039	–	–	10,899	10,899	10,899	–	–
Bills payable	990	990	990	–	–	5,095	5,095	5,095	–	–
Other payables and accrued charges	27,387	27,387	27,387	–	–	12,376	12,376	12,376	–	–
Amounts due to minority shareholders of a subsidiary	3,358	3,358	3,358	–	–	3,314	3,314	3,314	–	–
Amount due to a director	8,500	8,500	–	8,500	–	8,500	8,500	–	8,500	–
Interest-bearing borrowings	60,103	63,455	29,523	17,782	16,150	42,705	44,590	24,299	12,217	8,074
Obligations under finance leases	6,010	6,183	4,477	1,667	39	10,137	12,457	4,520	4,477	3,460
Other short/long term loan	8,500	8,500	8,500	–	–	8,500	8,500	–	8,500	–
	123,887	127,412	83,274	27,949	16,189	101,526	105,731	60,503	33,694	11,534
The Company										
Accrued charges	401	401	401	–	–	423	423	423	–	–

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings, obligations under finance leases and other short/long term loan. Borrowings issues at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. For this purpose the Group defines "net borrowings" as being interest-bearing financial liabilities (excluding cash held for short-term working capital purposes).

35. FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

(i) Interest rate profile

The Group's interest rate profile as monitored by management is set out below:

	2008 Effective interest rate %	**2008** *HK$'000*	2007 Effective interest rate %	2007 *HK$'000*
Variable rate deposits:				
Bank deposits	**1.89**	**6,174**	3.86	6,767
Fixed rate borrowings:				
Obligations under finance leases	**3.60**	**2,767**	3.60	5,439
Interest-bearing borrowings	**2.60**	**8,193**	–	–
		10,960		5,439
Variable rate borrowings:				
Obligations under finance leases	**6.42**	**3,243**	5.77	4,656
Interest-bearing borrowings	**4.56**	**51,910**	5.23	42,705
Amount due to a director	**2.77**	**8,500**	2.47	8,500
Other short/long term loan	**2.77**	**8,500**	2.47	8,500
		72,153		64,361
Net borrowings		**76,939**		63,033

(ii) Sensitivity analysis

At 31 March 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately HK$544,000 (2007: HK$475,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis performed on the same basis for 2007.

(d) Foreign currency risk

The Group's foreign currency exposure arises mainly from the exchange rate movements of the United States 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.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2008 and 2007.

36. COMMITMENTS

(a) Capital commitment outstandings at 31 March 2008 not provided for in the financial statements were as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Authorised and contracted for – acquisition of property, plant and equipment	**14,430**	–

(b) At 31 March 2008, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Within 1 year	**674**	21
After 1 year but within 5 years	**16**	–
	690	21

The Group is the lessee in respect of certain properties under operating leases. The leases run for an initial period of two years without renewal option. None of the leases includes contingent rentals.

37. FINANCIAL GUARANTEES ISSUED

At 31 March 2008, the Group had issued corporate guarantees of approximately HK$326,000 (2007: HK$1,648,000) issued in favour of third parties.

At 31 March 2008, 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$130 million (2007: HK$146 million).

The guarantees were issued by the Company and the Group at nil consideration. The transactions were not at arm's length, and it is not possible to measure reliably the fair value of these transactions in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement", had they been at arm's length. Accordingly, the guarantees have not been accounted for as financial liabilities and measured at fair value.

At 31 March 2008, the directors of the Company considered it is not probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the balance sheet date under the guarantees issued was the facilities drawn down by the subsidiaries of HK$61 million (2007: HK$49 million).

38. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and the highest paid employees as disclosed in note 9, is as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries, allowances and other benefits	**4,020**	4,168
Contributions to defined contributions retirement plan	**62**	59
	4,082	4,227

Total remuneration is included in "Staff costs" (see note 6(b)).

(b) Financing arrangement

	2008	2007
	HK$'000	*HK$'000*
Amount due to a director *(Note 30)*	**8,500**	8,500

(c) Other related party transactions

Certain borrowings of the Group are secured by assets owned by and personal guarantee from a director of the Company (see note 27). In addition, the Group entered into the following material related party transactions during the year:

Name of related party	**Nature of transactions**	**2008**	2007
		HK$'000	*HK$'000*
Pak Tak (Kwong Tai)	Sub-contracting income	**–**	117
	Sales of goods	**663**	12,396
	Sample sales income	**508**	611
	Interest income	**–**	86
	Commission paid	**194**	530
Estate of Cheng Chi Tai/ Cheng Chi Tai	Interest expenses	**235**	210
Cheng Kwai Chun, John	Interest expenses	**327**	210

Balances with related parties are disclosed in the balance sheet and in notes 17, 18, 26, 29 and 30.

39. COMPARATIVE FIGURES

As a result of adopting HKFRS 7 "Financial instruments: Disclosures" and the amendments to HKAS 1 "Presentation of financial statements: Capital disclosures", certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2008.

40. ACCOUNTING ESTIMATES AND JUDGEMENTS

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. The critical accounting judgements in applying the Group's accounting policies are described below.

(a) Depreciation

The Group management determines the estimated useful lives and related depreciation charge for the property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairments

In considering the impairment loss that may be required for certain property, plant and equipment, investments in subsidiaries and interest in an associate, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of turnover and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as turnover and operating costs.

Impairment losses for bad and doubtful debts are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectability. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer.

An increase or decrease in the above impairment loss would affect the operating results in the year and in future years.

(c) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognised for tax losses not yet used and temporary deduction differences. As those deferred tax assets can only be recognised to the extent that it is probable that future profit will be available against which the unused tax credit can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

40. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(d) Inventory provision

The Group performs regular reviews of the carrying amounts of inventories with reference to aged inventories analyses, projections of expected future saleability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable value. Due to changes in customers' performance, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

41. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2008 and which have not been adopted in these financial statements.

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

		Effective for accounting periods beginning on or after
HKAS 1	Presentation of financial statements: Comprehensive revision including requiring a statement of comprehensive income	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKAS 27	Consolidated and separate financial statements: Consequential amendments arising from amendments to HKFRS 3	1 July 2009
HKAS 28	Investment in associates: Consequential amendments arising from amendments to HKFRS 3	1 July 2009
HKFRS 2	Share-based payment: Amendment relating to vesting conditions and cancellations	1 January 2009
HKFRS 3	Business combinations: Comprehensive revision on applying the acquisition method	1 July 2009
HKFRS 8	Operating segments	1 January 2009

The directors have confirmed that the Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

RESULTS

	Year ended 31 March				
	2004	2005	2006	2007	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	330,179	338,198	341,810	352,151	**354,088**
(Loss)/profit from operations	(4,375)	(27,386)	3,618	3,107	**4,957**
Finance costs	(469)	(2,233)	(4,094)	(4,160)	**(4,754)**
Share of results of an associate	–	–	1,402	2,139	**699**
(Loss)/profit before taxation	(4,844)	(29,619)	926	1,086	**902**
Income tax	(368)	485	(126)	(50)	**(245)**
(Loss)/profit for the year	(5,212)	(29,134)	800	1,036	**657**
Attributable to:					
Shareholders of the Company	(4,991)	(29,134)	800	1,036	**657**
Minority interests	(221)	–	–	–	**–**
(Loss)/profit for the year	(5,212)	(29,134)	800	1,036	**657**

ASSETS AND LIABILITIES

	As at 31 March				
	2004	2005	2006	2007	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	208,250	221,423	254,164	252,531	**277,369**
Total liabilities	(35,378)	(77,535)	(109,420)	(102,587)	**(125,443)**
Total equity	172,872	143,888	144,744	149,944	**151,926**

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 Tuesday, 26 August 2008 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 2008.

2. (A) To re-elect Mr. Chow Chan Lum as an Independent Non-executive Director (Note 5(a)).

   (B) To re-elect Ms. Ko Hay Yin, Karen as an Independent Non-executive Director (Note 5(b)).

   (C) 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
Victor Robert Lew
Chairman

Hong Kong, 30 July 2008

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 (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, Tricor Standard Limited, 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 19 August 2008 (Tuesday) to 26 August 2008 (Tuesday), 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, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 18 August 2008 (Monday).

(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 2008 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. Chow Chan Lam, aged 57, is an independent non-executive director of the Company and China Aerospace International Holdings Limited. China Aerospace International Holdings Limited is a company listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Other than described aforesaid, Mr. Chow did not hold any directorship in other listed companies in the last three years and Mr. Chow does not hold any other position in the Company or its subsidiaries. Mr. Chow is a partner of Wong Brothers & Company, Certified Public Accountants. He 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 and carries duties in a variety of functional and social organizations. Mr. Chow is a council member of the Hong Kong Academy of Performing Arts.

As at the date hereof, Mr. Chow 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.

Mr. Chow 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$60,000 per annum.

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) Ms. Ko Hay Yin, Karen, aged 55, is an independent non-executive director of the Company. Ms. Ko has been the director of Kaiban Limited since 1990, a management consultancy practice in Hong Kong and has over 20 years' experience in toy manufacturing industries. Ms. Ko graduated from The Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in 1975 and obtained a master degree in business administration in 1987 from The University of Macau (formerly known as The University of East Asia). Ms. Ko does not hold any other position in the Company or its subsidiaries. Ms. Ko did not hold any directorship in other listed companies in the last three years.

As at the date hereof, Ms. Ko 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.

Ms. Ko 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.

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 her appointment and there is no other information that should be disclosed pursuant to rule 13.51 (2)(h) to (v) of the Listing Rules.

As at the date of this Annual Report, Mr. Cheng Kwai Chun, John, Mr. Lin Chick Kwan and Mr. Lin Wing Chau are Executive Directors; Mr. Victor Robert Lew is the Non-executive Director; Ms. Ko Hay Yin, Karen, Mr. Chow Chan Lum and Ms. Ho Man Yee, Esther are Independent Non-executive Directors.