



Pak Tak International Limited
百德國際有限公司

Stock Code: 2668

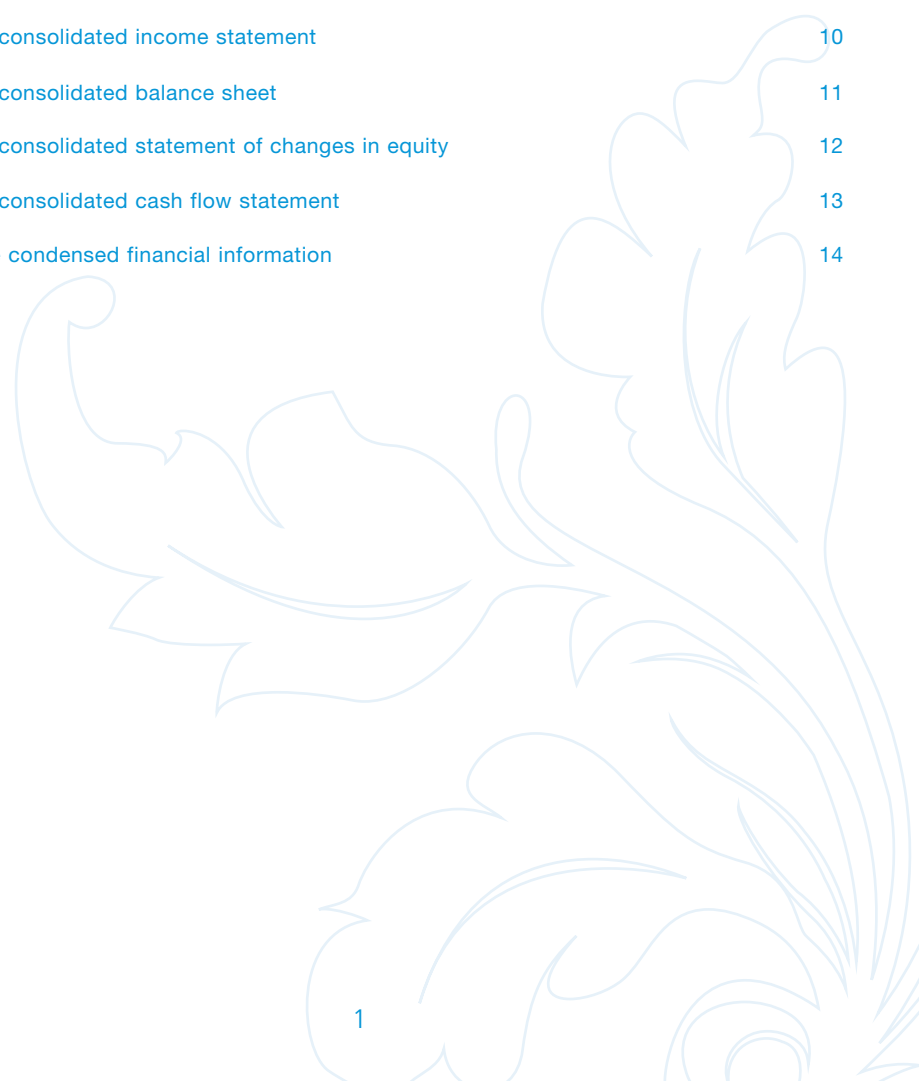
Interim Report 2008





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REVIEW OF OPERATIONS

The board of directors (the "Directors") of Pak Tak International Limited (the "Company") has the pleasure of presenting the interim report and the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the six months ended 30 September 2008.

Turnover

During the period under review, the manufacturing industry of China faced enormous challenges presented by the global financial melt down, the impending recession in many developed countries, in particular the United States, being the main market of the Group's products, adjustments of China's macroeconomic policies, the continuing appreciation of the Renminbi, and the increasing cost of labour in China due to the new labour law coming into effect as of 1 January 2008. Amid the unfavorable economic and market environment, the Group's turnover for the six-month period ended 30 September 2008 dropped slightly by 4% as compared to the same period of the previous year as it dropped from HK\$229,010,000 to HK\$219,505,000. This slight decrease is viewed positively by management in that it represents the Group's policy of controlling its growth and accepting orders only from strong customers who appreciate the high value products of the Group and are willing to pay for the value-added service. The sales policy of the Group is vindicated by the increase in gross margin in the period as the Group's gross margin increased by 13.5%, from HK\$34,397,000 in 2007 to HK\$39,027,000 in 2008. The growth in the profit margin is an indication that the Group is able to command higher price for its products and to cover the negative impacts of the higher Renminbi, upsurge of fuel prices, wage inflation, and the increase of other operating surcharges. The higher margin also was achieved through the strength of the computerized machinery division operating at full capacity. This performance attests to the solid foundation of the Group.

For the period under review, the Group's major customers were located in US and accounted for approximately 93% of the Group's total turnover. The remaining was generated from sales to customers mainly located in Europe, Asia and Australia.

Profitability

The Group's profitability for the first six month period of 2008/2009 financial year was HK\$17,399,000. This represents an increase of 22% as compared to the same period of 2007. The increase is attributed primarily to the increase in the gross margin. During the interim period ended 30 September 2008, the Group's general and administrative expenses were maintained at the same level as that of the same period in 2007. This is an indication of the management's resolve in controlling costs. Sales and distribution cost decreased for the first six-month period of 2008/2009 financial year by HK\$548,000 with the elimination of textile quota in late 2007.

Liquidity and Capital Resources

At 30 September 2008, the Group's cash and cash equivalent was in a negative position of HK\$9 million, representing a decrease of approximately HK\$19 million from 31 March 2008. The decrease was caused mainly by the purchase of computerized knitting machines totaling approximately HK\$14 million, and sharp increases in accounts receivables and inventories. The increase in accounts receivables was attributable to large shipments made in the months of August and September 2008. The Group's inventory level rose to HK\$69 million due to large volume of shipments in the month of October 2008. The negative cash and cash equivalent position of the Group was only temporary as the Group was able to collect promptly on many of these August and September 2008 accounts receivables, reversing the negative working capital balance. The Group will continue to actively monitor the liquidity level.

The Group principally satisfies its demand for operating capital with cash inflow from operation and credit facilities of over HK\$146 million (31 March 2008: HK\$148 million), out of which HK\$114 million has been utilized as at 30 September 2008. The credit facilities were partially secured by corporate guarantees given by the Company. The Directors believe that the Group will maintain a sound and stable financial position, with sufficient liquid capital and financial resources to satisfy its business needs.

Foreign Exchange Risks and Interest Rate Risk Management

The Group adopts strict and cautious policies in managing its exchange rate risk and interest rate risk. The sales of the Group and purchases of raw materials are mainly denominated in US dollars, while the Group's operations in China, the location of its production, are primarily conducted in Renminbi, and its Hong Kong operations are conducted in Hong Kong dollars. The recent rise in Renminbi against both the US and Hong Kong dollars have placed a strain on the Group's profitability. With the rise in Renminbi stabilizing, however, the Directors believe that the Group's exposure to Renminbi fluctuation will be reduced. During the six months ended September 2008, the Group did not use any financial instruments to reduce the risk of change in exchange rates.

The Directors are of the opinion that the Group is not subject to any significant interest rate risk even through the bank borrowings of the Group, denominated in Hong Kong dollars, are on the floating rate basis. As the Group operates at the debt to equity ratio of 82%, the interest rate exposure is not significant.

Interim Dividend

The Directors have resolved not to recommend the payment of any interim dividend for the six months ended 30 September 2008 (30 September 2007: HK\$ Nil).

Pledge of Assets

As at 30 September 2008, the Group's interest-bearing borrowings were secured by the computerized knitting machinery with a carrying amount of approximately HK\$48 million (31 March 2008: approximately HK\$46 million) and certain leasehold properties in Mainland China of approximately HK\$68 million (31 March 2008: approximately HK\$69 million).

Financial Guarantees Issued

At 30 September 2008, the Group had issued corporate guarantees of approximately HK\$692,000 (31 March 2008: HK\$326,000) issued in favour of third parties.

At 30 September 2008, the Company had issued corporate guarantees to bank and other financial institutions in connection with facilities granted to certain of its subsidiaries amounting to approximately HK\$121 million (31 March 2008: HK\$130 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 Instrument: Recognition and Measurement", had they been at arm's length. Accordingly, the guarantees have not been accounts for as financial liabilities and measured at fair value.

At 30 September 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\$89 million (31 March 2008: HK\$61 million).

Capital Expenditures and Commitments

During the period, the Group invested approximately HK\$15 million (31 March 2008: HK\$48 million) in property, plant and equipment, of which 90% (31 March 2008: 92%) was used for purchase of machinery.

As at 30 September 2008, the Group had no capital commitments in property, plant and equipment (31 March 2008: HK\$14 million).

Employees and Remuneration Policies

As at 30 September 2008, the Group had a total of approximately 292 employees, representing a decrease of approximately 121 employees as compared with the number of employees as at 30 September 2007. The change in number of employees was mainly due to the technologies reform on equipment carried out by the Group, which results in a decrease workforce. The total staff cost of the Group amounted to approximately HK\$52 million during the period, representing 24% of the Group's revenue. Employees' remuneration and bonuses are based on their performances, experience and the prevailing industry practice. The Group's remuneration policies and packages are reviewed periodically by the management of the Company. The Group provides relevant training to its employees in accordance with the skills requirements of different positions.

FUTURE PROSPECTS

The Group recognizes that the recession in the economies of major markets is far from over and may continue to 2009. The Group expects a period of difficult time ahead for its business. However, the Group also is confident that with its solid foundation, its risk adverse approach, and its reputation for high quality products, it would have the strength to withstand the adverse environment.

The Group's core competencies remain intact. Its solid infrastructure, efficient production base and extensive use of the computerized knitting machinery allow the Group to adapt rapidly to changing operating conditions. The Group's established clientele, its niche product offerings in high-end, value-added and complex knitting allow it to maintain competitiveness in the knitting manufacturing sector. The Group will aim to achieve consistent, healthy operating margin and delivering maximum shareholders' returns.

DIRECTORS

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

Executive Directors

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

Non-executive Director

Mr. Victor Robert Lew

Independent Non-executive Directors

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

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2008, the interests and short positions of the Directors and chief executives of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which would have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of Director	Number of shares interested (Long Position)	Capacity	Approximate percentage of the issued share capital of the Company
Mr. Cheng Kwai Chun, John	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.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2008, so far as was known to the Directors or chief executives of the Company, the following persons had an interest or short position, other than the interests disclosed above in respect of Directors and chief executives, in the shares or the underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any members of the Group:

Name	Name of Company	Number of shares held	Percentage held
HSBC International Trustee Limited	Pak Tak International Limited	60,420,000	approximately 25.55% <i>(Note 1)</i>
Best Ahead Limited	Pak Tak International Limited	40,314,280	approximately 17.05% <i>(Note 2)</i>
Ms. Amy Pik Sin	Pak Tak Knitting & Garment Factory (Thailand) Company Limited	1,000	10%
Mr. Nakorn Phisitchoowong	Pak Tak Knitting & Garment Factory (Thailand) Company Limited	1,000	10%
Miss Janphen Phisitchoowong	Pak Tak Knitting & Garment Factory (Thailand) Company Limited	1,000	10%

Notes:

1. HSBC International Trustee Limited ("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 sole director of Best Ahead Limited is Mr. Cheng Kwai Chun, John. Save as disclosed above, no Director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2008.

CORPORATE GOVERNANCE REPORT

The Directors are pleased to report that throughout the six months period ended 30 September 2008, the Company was in substantial compliance with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules. In particular, the Company has ensured that:

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

are in compliance with the Code.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct rules (the "Model Code") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company confirms that all the Directors had complied with the Model Code in the six months period ended 30 September 2008.

COMMITTEES

The Directors have caused three committees to be formed pursuant to the Code: the Audit Committee, the Nomination Committee and the Remuneration Committee. The Audit Committee, comprising the three independent non-executive Directors, namely Mr. Chow Chan Lum, Ms. Ko Hay Yin, Karen and Ms. Ho Man Yee, Esther, has reviewed with the management and the auditors of the accounting principles and practices adopted by the Group and discussed and reviewed the unaudited consolidated financial statements for the six months ended 30 September 2008.

The interim results for the six months ended 30 September 2008 have been reviewed by the Company's auditors.

On behalf of the Board
Victor Robert Lew
Chairman

Hong Kong, 10 December 2008



BAKER TILLY HONG KONG

INDEPENDENT REVIEW REPORT

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

Introduction

We have reviewed the interim financial information set out on pages 10 to 20 which comprises the condensed consolidated balance sheet of Pak Tak International Limited as at 30 September 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

BAKER TILLY HONG KONG LIMITED

Certified Public Accountants
Hong Kong, 10 December 2008

Andrew David Ross
Practising Certificate number P01183

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

		Six months ended	
		30 September	
		2008	2007
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	3	219,505	229,010
Cost of sales		<u>(180,478)</u>	<u>(194,613)</u>
Gross profit		39,027	34,397
Other revenue	4	893	705
Other net income	4	839	931
Administrative expenses		(15,981)	(15,581)
Selling expenses		<u>(3,405)</u>	<u>(3,932)</u>
Profit from operations	5	21,373	16,520
Finance costs	6	(2,528)	(2,514)
Share of results of an associate		<u>804</u>	<u>1,997</u>
Profit before taxation		19,649	16,003
Income tax	7	(2,250)	(1,768)
Profit attributable to shareholders		<u>17,399</u>	<u>14,235</u>
Dividend	8	<u>-</u>	<u>-</u>
		HK cents	HK cents
Earnings per share	9	<u>7</u>	<u>6</u>

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

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CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2008

	Notes	At 30 September 2008 HK\$'000 (unaudited)	At 31 March 2008 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	204,642	202,291
Prepaid land premiums		7,640	7,690
Investment properties		3,633	3,918
Interest in an associate		5,044	4,240
		220,959	218,139
Current assets			
Inventories		69,180	34,282
Trade receivables	11	60,552	6,151
Other receivables, prepayments and deposits		4,872	6,449
Amount due from an associate		3,707	2,053
Cash and cash equivalents		8,156	10,295
		146,467	59,230
Current liabilities			
Trade payables	12	34,544	9,039
Bills payable		2,303	990
Other payables and accrued charges	13	19,134	27,387
Amount due to a director	14	8,500	–
Amounts due to minority shareholders of a subsidiary		3,159	3,358
Interest-bearing borrowings		58,872	27,801
Obligations under finance leases		3,060	4,342
Other short term loan	15	8,500	8,500
Bank overdrafts		16,977	–
		155,049	81,417
Net current liabilities		(8,582)	(22,187)
Total assets less current liabilities		212,377	195,952
Non-current liabilities			
Interest-bearing borrowings		27,856	32,302
Obligations under finance leases		1,081	1,668
Amount due to a director	14	–	8,500
Other long term payables		11,470	–
Deferred tax liabilities		2,671	421
Provision for long service payments		1,135	1,135
		44,213	44,026
		168,164	151,926
Capital and reserves			
Share capital		23,640	23,640
Reserves		144,524	128,286
		168,164	151,926

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2007	23,640	5,987	32,680	4,713	82,924	149,944
Exchange differences arising on translation of overseas operations not recognised in consolidated income statement	-	-	-	372	-	372
Profit for the period	-	-	-	-	14,235	14,235
At 30 September 2007	<u>23,640</u>	<u>5,987</u>	<u>32,680</u>	<u>5,085</u>	<u>97,159</u>	<u>164,551</u>
At 1 April 2008	23,640	5,987	32,680	6,038	83,581	151,926
Exchange differences arising on translation of overseas operations not recognised in consolidated income statement	-	-	-	(1,161)	-	(1,161)
Profit for the period	-	-	-	-	17,399	17,399
At 30 September 2008	<u>23,640</u>	<u>5,987</u>	<u>32,680</u>	<u>4,877</u>	<u>100,980</u>	<u>168,164</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	Six months ended 30 September 2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Net cash (used in)/generated from operating activities	(26,463)	20,367
Investing activities		
Purchase of property, plant and equipment	(15,291)	(37,826)
Other investing cash flows	410	387
Net cash used in investing activities	(14,881)	(37,439)
Financing activities		
Interest-bearing borrowings raised, net	26,625	23,942
Other financing cash flows	(4,397)	(10,184)
Net cash generated from financing activities	22,228	13,758
Net decrease in cash and cash equivalents	(19,116)	(3,314)
Cash and cash equivalents at beginning of the period	10,295	11,163
Cash and cash equivalents at end of the period	(8,821)	7,849
Cash and cash equivalents at end of the period, represented by:		
Cash and cash equivalents	8,156	9,419
Bank overdrafts	(16,977)	(1,570)
	(8,821)	7,849

NOTES TO THE CONDENSED FINANCIAL INFORMATION

For the six months ended 30 September 2008

1. GENERAL

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

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

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

2. BASIS OF PRESENTATION

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

The unaudited condensed consolidated financial information has been prepared under the historical cost convention, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2008. The accounting policies and methods of computation adopted are consistent with those followed in preparation of the Group's annual financial statements for the year ended 31 March 2008.

The preparation of condensed consolidated financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("HK(IFRIC) – Ints") (collectively the "new HKFRSs") that are first effective or available for early adoption for the current accounting period of the Group. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements prepared under HKFRSs for the year ending 31 March 2009, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements prepared under HKFRSs for the year ending 31 March 2009 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of issuance of this unaudited condensed consolidated financial information. Therefore the policies that will be applied in the Group's financial statements for the year ending 31 March 2009 cannot be determined with certainty at the date of issuance of this unaudited condensed consolidated financial information.

Up to the date of issue of this unaudited condensed consolidated financial information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 March 2009.

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2. BASIS OF PRESENTATION (CONTINUED)

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 (Revised)	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 (Revised)	Consolidated and separate financial statements – consequential amendments arising from amendments to HKFRS 3	1 July 2009
HKAS 28	Investments in associates – consequential amendments arising from amendments to HKFRS 3	1 July 2009
HKFRS 2 (Amendments)	Share-based payment: Amendment relating to vesting conditions and cancellations	1 January 2009
HKFRS 3 (Revised)	Business combinations: Comprehensive revision on applying the acquisition method	1 July 2009
HKFRS 8	Operating segments	1 January 2009

The above amendments and new standards were not applied in this unaudited condensed consolidated financial information because the directors expect that the Group will not early apply them when preparing the Group's annual financial statements for the year ending 31 March 2009.

The Group is in the process of making an assessment of the impact of these amendments and new standards in the period of initial application and has so far concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

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3. TURNOVER AND PROFIT FOR THE PERIOD

The Group's turnover and profit for the six months ended 30 September 2008 by business segment (primary segment) are as follows:

	Turnover for the six months ended 30 September		Profit for the six months ended 30 September	
	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Sales of knit-to-shape garments	218,946	227,411	20,283	13,430
Subcontracting income	56,032	38,814	35	3,419
(Less): Inter-segment transactions	<u>(55,473)</u>	<u>(37,215)</u>	<u>(677)</u>	<u>(1,965)</u>
	219,505	229,010	19,641	14,884
Other revenue			893	705
Other net income			<u>839</u>	<u>931</u>
Profit from operations			21,373	16,520
Finance costs			(2,528)	(2,514)
Share of results of an associate			<u>804</u>	<u>1,997</u>
Profit before taxation			19,649	16,003
Income tax			<u>(2,250)</u>	<u>(1,768)</u>
Profit attributable to shareholders			<u>17,399</u>	<u>14,235</u>

Inter-segment sales for the six months ended 30 September 2008 from sub-contracting segment to sales of knit-to-shape garments segment were charged at cost plus a percentage profit markup.

The Group's turnover for the six months ended 30 September 2008 by geographical market is as follows:

	Turnover Six months ended 30 September	
	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
United States of America	204,786	212,484
Asia	2,895	5,695
Europe	5,195	5,405
Australia	1,704	747
Others	<u>4,925</u>	<u>4,679</u>
	219,505	229,010

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4. OTHER REVENUE AND NET INCOME

	Six months ended 30 September 2008 <i>HK\$'000</i> (unaudited)	2007 <i>HK\$'000</i> (unaudited)
Other revenue		
Interest income	17	62
Sale of scraps materials	389	456
Sundry	487	187
	893	705
Other net income		
Exchange gains, net	429	581
Gain on disposal of property, plant and equipment	410	350
	839	931

5. PROFIT FROM OPERATIONS

	Six months ended 30 September 2008 <i>HK\$'000</i> (unaudited)	2007 <i>HK\$'000</i> (unaudited)
Profit from operations has been arrived at after charging:		
Amortisation of prepaid land premiums	94	91
Depreciation on property, plant and equipment	11,892	9,841
Impairment loss on trade receivables	2,178	2,345
Provision for inventories	-	3,767
	-	-

6. FINANCE COSTS

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

7. INCOME TAX

The charge represents deferred tax charge of approximately HK\$2,250,000 (six months ended 30 September 2007: HK\$1,768,000).

No provision for Hong Kong profits tax has been made (six months ended 30 September 2007: HK\$ Nil) 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 period.

8. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2008 (six months ended 30 September 2007: HK\$ Nil).

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9. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit of HK\$17,399,000 for the period (six months ended 30 September 2007: HK\$14,235,000) and on 236,402,000 ordinary shares in issue (six months ended 30 September 2007: 236,402,000 ordinary shares in issue).

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2008, the Group acquired property, plant and equipment at a cost of approximately HK\$15,291,000 (six months ended 30 September 2007: HK\$37,826,000).

The carrying amount of property, plant and equipment includes an amount of HK\$8,229,000 (31 March 2008: HK\$9,809,000) in respect of assets held under finance leases.

11. TRADE RECEIVABLES

	At 30 September 2008 HK\$'000 (unaudited)	At 31 March 2008 HK\$'000 (audited)
Trade receivables	64,908	8,329
Less: allowance for doubtful debts	(4,356)	(2,178)
	60,552	6,151

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

	At 30 September 2008 HK\$'000 (unaudited)	At 31 March 2008 HK\$'000 (audited)
Current	22,032	243
Less than 1 month past due	31,898	3,514
1 to 3 months past due	6,436	216
More than 3 months past due	186	2,178
Amounts past due	38,520	5,908
	60,552	6,151

Trade receivables are due within 30 days from the date of billing.

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12. TRADE PAYABLES

The following is an aging analysis of trade payables:

	At 30 September 2008 HK\$'000 (unaudited)	At 31 March 2008 HK\$'000 (audited)
0 – 30 days	17,195	5,218
31 – 60 days	11,979	2,061
61 – 90 days	4,440	1,160
Over 90 days	930	600
	34,544	9,039

13. OTHER PAYABLES AND ACCRUED CHARGES

Included in other payables and accrued charges as at 30 September 2008 was an amount of HK\$5,073,000 (31 March 2008: HK\$16,543,000) being payable for plant and machinery.

14. 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.

15. OTHER SHORT 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.

16. PLEDGE OF ASSETS

At 30 September 2008, certain machinery with a carrying amount of approximately HK\$48,355,000 (31 March 2008: HK\$45,909,000), and certain leasehold properties in Mainland China with a total carrying amount of approximately HK\$67,811,000 (31 March 2008: HK\$68,689,000) were pledged to secure the credit facilities utilised by the Group.

17. CAPITAL COMMITMENTS

Capital commitments outstanding at 30 September 2008 not provided for in the financial statements were as follows:

	At 30 September 2008 HK\$'000 (unaudited)	At 31 March 2008 HK\$'000 (audited)
Authorised and contracted for – acquisition of property, plant and equipment	–	14,430

18. FINANCIAL GUARANTEES ISSUED

At 30 September 2008, the Group had issued corporate guarantees of approximately HK\$692,000 (31 March 2008: HK\$326,000) issued in favour of third parties.

The guarantees were issued by 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.

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19. MATERIAL RELATED PARTY TRANSACTIONS

(a) *Key management personnel remuneration*

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 September 2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries, allowances and other benefits	1,798	1,619
Contributions to defined contributions retirement plan	31	31
	1,829	1,650

(b) *Financing arrangements*

	At 30 September 2008	At 31 March 2008
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Amount due to a director (<i>Note 14</i>)	8,500	8,500

At 30 September 2008, certain interest-bearing borrowings totalling HK\$35,949,000 (31 March 2008: HK\$41,359,000) and bank overdrafts of HK\$16,977,000 (31 March 2008: HK\$ Nil) were secured by pledged bank deposits of a director, personal guarantee from a director and a legal charge on a leasehold property owned by a company controlled by a director.

(c) *Other related party transactions*

During the period, the Group entered into the following material related party transactions:

		Six months ended 30 September 2008	2007
Name of related party	Nature of transactions	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Pak Tak (Kwong Tai) Knitting Factory Limited	Sub-contracting income	-	294
	Sales of goods	2,471	314
	Sample sales income	185	232
	Rental income	212	46
	Commission paid	3	-
Estate of Cheng Chi Tai	Interest expenses	18	120
Cheng Kwai Chun, John	Interest expenses	101	120

Balances with related parties are disclosed in the condensed consolidated balance sheet and in notes 14 and 15.