Pak Tak International Limited
百 德 國 際 有 限 公 司
Stock Code: 2668

Annual Report 2010

Contents

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. Victor Robert Lew *(Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Ko Hay Yin, Karen
Mr. Chow Chan Lum
Ms. Ho Man Yee, Esther
Mr. Yuen Chi King, Wyman

COMPANY SECRETARY

Ms. Chan Sui Chee, Priscilla, ACS, ACIS

FINANCIAL CONTROLLER

Mr. Chan Kwok Ming, CPA, FCCA, 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
Mr. Yuen Chi King, Wyman

REMUNERATION COMMITTEE MEMBERS

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

AUDIT COMMITTEE MEMBERS

Ms. Ko Hay Yin, Karen
Mr. Chow Chan Lum
Ms. Ho Man Yee, Esther
Mr. Yuen Chi King, Wyman

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

HSBC Bank Bermuda Limited
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

CHAIRMAN'S STATEMENT

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 2010.

BUSINESS REVIEW

I am pleased to report that for the year ended 31 March 2010 the Group overcame the difficult economic time and achieved positive results. While the U.S. economy, the largest markets of the Group, continues to improve with sluggish growth, the Group improved its profitability and earnings per share for the year under review.

For the year ended 31 March 2010, the Group recorded a turnover of approximately HK$331 million. Although this is a decrease from HK$397 million of the previous year, the Group enjoyed a greater profitability by streamlining its customer base and controlling its operating expenses. Despite the uncertain economic times globally, thanks to its strength, the Group is able to continue to present as a producer of premium knitwear products. We believe it is a sound achievement in maintaining a solid level of profitability of HK$4.980 million as compared to HK$4.485 million in the previous year.

The Group's operating cost structure in China is facing undue pressure. The recent labor unrests in southern China and the likely rise of Renminbi will cause the Group's production cost, in particular its labor cost, to increase. Facing this fundamental change to the Group's cost structure, the Group believes that its emphases on providing values to its customers, by creating in-house design concepts, and by producing premium products, are means for the Group to maintain its customer base and to strive in this time of high cost.

During the year, the Group continued to invest in technology and reduce reliance on manual production. It has availed itself of the advanced technology to counter labor shortage and rising labor cost in China. The management team of the Group has devoted significant effort to closely control and monitor cost. This is a major contribution to its stable profitability despite a lower turnover. Viewing the Group's forward-looking strategy together with the well-rounded readiness for the future, the Group believes that it is well placed to face new challenges.

RESULT HIGHLIGHTS

The highlights of the results for the year ended 31 March 2010:

- Turnover decreased by 16.7% to HK$331 million from HK$397 million for the year ended 31 March 2009;
- Net profit for the year was HK$4.980 million, as compared to net profit of HK$4.485 million for the year ended 31 March 2009;
- Earnings per share for the year were HK2.1 cent, as compared to HK1.9 cent for the year ended 31 March 2009;
- The Group's net current assets at 31 March 2010 was HK$10 million, as compared to net current liability of HK$22 million at 31 March 2009, representing a current ratio of 1.14 (2009: 0.73).

CHAIRMAN'S STATEMENT

LOOKING FORWARD

The U.S. consumer market is picking up strength in the aftermath of the financial tsunami, with the economic forecasts to be positive. The Group believes that with the recovering of the global economy coupled with its competitive advantage and reputation as a high-end knitwear manufacturer, it will continue to flourish and grow. The management strongly feels that the Group will take advantage of its strength and leading market position to maintain a solid outlook.

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, 7 July 2010

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS OF RESULTS

Turnover

For the period under review, the Group continued to execute its strategy of providing more value to its customers and improve profitability. While the global economic growth has been sluggish, many manufacturers in China are facing challenging time as China underwent troubling labor unrests and faced continuing international pressure to appreciate its currency. The global economic downturn led to shrinking consumption and lower consumer confidence. Amid the unfavorable economic and market environment, the Group's turnover for the year ended 31 March 2010 decreased by 16.7% from HK$397 million to HK$331 million. One of the reasons attributed to the decrease is that the Group was selective in accepting sales orders only from strong customers who value our service and products and are willing to pay premium for our high-end products.

The gross margin decreased by 20.7% from HK$49 million to HK$39 million for the year ended 31 March 2010. The decrease in gross margin reflects that the Company is still navigating through the difficult economic time and further tightening of direct costs is warranted. Responding to the skyrocketing labor cost in China, the Group is considering to invest more resources in technology development so as to reduce the reliance on labor force and allow the Group to have tighter control over labor cost to enhance cost effectiveness. Thanks to the advance automated technology, for the period under review, the Company was able to manage its direct cost amid the rise of the Renminbi, and the upsurge in cost of raw materials and other production cost.

For the period under review, the Group's major customers were located in U.S. and accounted for approximately 78.6% of the Group's total revenue. The customers in the Asian and European markets generated 17.3% of total sales. Although the U.S. market accounted for the majority of the revenue, the Asian and European markets are in line to expand. The sales in Europe and Asia grew 273% and 251%, respectively, from the previous year.

Profitability

The Group's profitability for the year ended 31 March 2010 was HK$4.980 million. This represents an increase of 11.0% as compared to the previous year. The increase results directly from the Group's ability to control its costs. Further, finance cost was reduced by almost 42.3% to HK$2.6 million from HK$4.5 million. The Group was able to negotiate more favorable terms on its borrowing. With the exception of selling expenses, all other expenditures remained stable as compared to the previous year – this is an indication of the management's resolve in controlling costs.

LIQUIDITY AND CAPITAL RESOURCES

The cash and cash equivalent of the Group were approximately HK$-8 million as at 31 March 2010, representing a decrease of approximately HK$7 million as compared with the balance as at 31 March 2009. It was mainly due to the purchase of computerized knitting machines by the Group during the fiscal year for HK$6 million and increase in changes in working capital, particularly increase in trade and other receivables. The increase in receivables reflects the impact from the economic downtown which negatively affects the liquidity of the Company's customers. Management will closely monitor the receivable turnovers to ensure that payments are timely received and simultaneously maintain sound relationship with customers.

The Group principally satisfies its demand for operating capital with cash inflow from operation and credit facilities of over HK$126 million (2009: HK$132 million), out of which HK$68 million has been utilized as at 31 March 2010. The credit facilities were secured by corporate guarantees given by the Company. The Director believes that the Group will maintain a sound and stable financial position, with sufficient liquid capital and financial resources to satisfy its business needs.

MANAGEMENT DISCUSSION AND ANALYSIS

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 principal foreign currency exchange risk stems from the exchange rate movements of the Hong Kong dollars, which are pegged to the U.S. dollars, and Renminbi. The sales of the Group and purchases of raw materials are mainly denominated in U.S. 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 forecast rise in Renminbi against both the U.S. and Hong Kong dollars will place a strain on the Group's profitability. In response to the continuing appreciation of the Renminbi, the Group will need to manage its overall cost structure by being more vigilante in its cost control.

The Directors are of the opinion that the Group is not subject to any significant interest rate risk even through the interest-bearing borrowings of the Group, denominated in Hong Kong dollars, are on the floating rate basis. Thanks to the prospects and the potential of the Group, management is able to negotiate favorable terms with the financial institutions so as to lower its borrowing cost. As the Group operates at the debt to equity ratio of 42.0%, the interest rate exposure is not significant.

DIVIDENDS

The Directors have resolved not to recommend the payment of any dividend for the year ended 31 March 2010 (2009: HK$ nil).

CHARGE ON GROUP ASSETS

As at 31 March 2010, the Group's interest-bearing borrowings were secured by the computerized knitting machinery with a carrying amount of approximately HK$55 million (2009: approximately HK$44 million) and certain leasehold properties of approximately HK$70 million (2009: approximately HK$67 million).

FINANCIAL GUARANTEES ISSUED

At 31 March 2010, the Company had issued corporate guarantees to bank and other financial institutions in connection with facilities granted to certain subsidiaries amounting to HK$147 million (2009: HK$110 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 2010, 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$62 million (2009: HK$40 million).

CAPITAL EXPENDITURES AND COMMITMENTS

During the period, the Group invested approximately HK$10 million (2009: HK$16 million) in property, plant and equipment, of which 66.3% (2009: 86.1%) was used for purchase of machinery.

As at 31 March 2010, the Group had capital commitments of approximately HK$0.7 million (2009: HK$7 million) in property, plant and equipment.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2010, the Group had a total of approximately 272 employees. The total staff cost of the Group amounted to approximately HK$81 million during the period, representing 24.4% of the Group's revenue. Employees' remuneration and bonuses are based on their responsibilities, performances, experience and the prevailing industry practice. The Group's remuneration policies and packages were reviewed periodically by the management of the Company in order to ensure that the packages are competitive in the market. The Group provides relevant training to its employees in accordance with the skills requirements of difference positions.

FUTURE PROSPECTS

With the uncertainties of economic growth continuing to hover over the global economies, the Group will continue to hold onto its course of steady and controlled growth. The Group will continue to calibrate the rising cost of doing business in China, including the impact of labor movements, rising yuan, and increase in raw material costs, against the drive to further automatic the production means. The Group believes that the coming year is very crucial in terms of testing the ability of the Group to leverage on its solid foundation and to fence off the changes in many business fundamentals of doing business in China.

While the Group has, in recent years, hope to diversify its sales to other geographical locations outside of the U.S., the economic perils of countries in the Europe zone will lead the Group to continue its focus on the U.S. markets. The Group may explore selling domestically in the mainland China in order to capture the growth of consumption power of the Chinese population. Any such plan, however, represents a major investment and change in the business model of the Group. The Group will continue to look for strategic benefits of broadening its market base.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. CHENG Kwai Chun, John, aged 38, 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 51, is a brother of Mr. Lin Chik Wai (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 30 years of experience in knitwear and garment manufacturing, and particularly in hand-knitted garments.

Mr. LIN Wing Chau, aged 53, joined the Group in 1977. Mr. Lin is a cousin of Mr. Lin Chick Kwan and Mr. Lin Chik Wai (a member of the senior management) and is responsible for the sales and distribution operations of the Group. He has over 30 years of experience in knitwear and garment manufacturing business.

NON EXECUTIVE DIRECTOR

Mr. Victor Robert LEW, aged 54, is the Chairman of the Company. Mr. Lew is also an independent non-executive director of Sincere Watch (Hong Kong) Limited and an independent non-executive director and the 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 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 57, 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).

Mr. CHOW Chan Lum, aged 59, is a Precedent Partner of Wong Brothers & Co, Certified Public Accountants Hong Kong. Mr. Chow carried duties in a variety of functional and social organizations. He was a Past President of the Taxation Institute of Hong Kong and has served on a number of committees of Hong Kong Institutes of Certified Public Accountants including the Deputy Chairman of Auditing & Assurance Standards Committee, the members of PRC Accounting and Auditing Sub-Committee, Practice Review Committee, Investigation Panel, Examination Panel, Complaints Panels, Taxation Committee and Professional Standards Monitoring Committee. He is currently a member of Foreign Experts Consultative Committee on China Independent Auditing Standards of the PRC Ministry of Finance, a member of the Peoples' Political Consultative Committee, Guangdong Province, PRC, the Chairman of the Cantonese Opera Advisory Committee of the Hong Kong SAR Government, the Treasurer of the Hong Kong Academy for Performing Arts, the Deputy Chairman of the Chinese Entrepreneurs Organization, and a member of the Cantonese Opera Development Fund. He is also an independent non-executive director of China Aerospace International Holdings Limited and Maoye International Holdings Limited, companies listed on The Stock Exchange of Hong Kong Limited.

Ms. HO Man Yee, Esther, aged 37, 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.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. YUEN Chi King, Wyman, aged 36, is an executive director of Fujikon Industrial Holdings Limited ("Fujikon"), a company listed on the main board of The Stock Exchange of Hong Kong Limited, and is responsible for overseeing the implementation of corporate strategy and the financial functions of Fujikon and its subsidiaries. Mr. Yuen graduated from the University of Toronto, Canada with a Bachelor degree of Commerce and from Saint Louis University, United States of America with a Master degree of Finance. Prior to joining Fujikon, Mr. Yuen has worked for a few regional financial securities institutions and was responsible for the provision of corporate finance advisory services. Mr. Yuen has more than seven years of experience in financial securities industry. He is a member of the American Institute of Certified Public Accountants.

SENIOR MANAGEMENT

Mr. CHAN Kwok Ming, aged 49, is the 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, fellow 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 14 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 41, 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. POON Kam Ping, aged 42, 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 53, 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.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Group for the year ended 31 March 2010.

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 United States and Europe. Details of the principal activities of the Company's subsidiaries and associate are set out in notes 16 and 17 respectively to the financial statements.

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

SEGMENT INFORMATION

The segment information of the Group for the year ended 31 March 2010 is set out in note 12 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2010, the five largest customers of the Group together accounted for approximately 85% of the Group's total turnover, with the largest customer accounted for approximately 32% of the Group's total turnover. The aggregate purchases attributable to the Group's five largest suppliers was approximately 32% of the total purchase of the Group for the year ended 31 March 2010, with the largest supplier accounted for approximately 9% 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 2010 are set out in the consolidated income statement on page 20 of this Annual Report.

FINANCIAL SUMMARY

A financial summary of the Group for the past five financial years is set out on page 67 of this Annual Report.

RESERVES

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 24 of this Annual Report.

BORROWINGS

The Group had interest-bearing borrowings and obligations under finance leases totaling HK$68 million at 31 March 2010.

CHARITABLE DONATIONS

No charitable donations were made by the Group for the year ended 31 March 2010.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group's additions to property, plant and equipment amounted to HK$10 million.

Movements in the property, plant and equipment of the Group for the year ended 31 March 2010 are set out in note 13 to the financial statements.

SHARE CAPITAL

Details in the share capital of the Company are set out in note 30 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
Mr. Yuen Chi King, Wyman (appointed on 1 September 2009)

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. Lin Wing Chau, Mr. Victor Robert Lew 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 2010, 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 2010.

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.

RELATED PARTY TRANSACTIONS

The Group entered into certain related party transactions as disclosed in note 35 to the financial statements. These related party transactions did not constitute connected transactions under the Listing Rules.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

COMPETING INTERESTS

At 31 March 2010, 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 15 July 2010 (i.e., the latest practicable date prior to the printing of this Annual Report).

SUBSTANTIAL SHAREHOLDERS

At 31 March 2010, 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 the late 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 the late 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 the late 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 2010.

As at 31 March 2010, 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 2010.

AUDITORS

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, 7 July 2010

CORPORATE GOVERNANCE REPORT

The Directors are pleased to report that throughout the year ended 31 March 2010, 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 2010.

BOARD OF DIRECTORS

The board of Directors (the "**Board**") comprises eight members, of which three members are executive Directors, one member is non-executive Director and four 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	N/A *(Note 1)*	1/1	1/1
Mr. Lin Chick Kwan	2/4	N/A	N/A	N/A
Mr. Lin Wing Chau	2/4	N/A	N/A	N/A
Mr. Victor Robert Lew	4/4	N/A *(Note 2)*	N/A *(Note 2)*	N/A *(Note 2)*
Ms. Ko Hay Yin, Karen	4/4	2/2	1/1	1/1
Mr. Chow Chan Lum	4/4	2/2	1/1	1/1
Ms. Ho Man Yee, Esther	2/4	2/2	1/1	1/1
Mr. Yuen Chi King, Wyman *(Note 3)*	1/4	1/2	0/1	0/1

Notes:

1. Mr. Cheng Kwai Chun, John, the Chief Executive Officer, was invited to attend the meetings of the Audit Committee held during the year.

2. Mr. Victor Robert Lew, the Chairman, was invited to attend the meetings of the Audit Committee, the Remuneration Committee and the Nomination Committee held during the year.

3. Mr. Yuen Chi King, Wyman was appointed as a director, a member of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee of the Company on 1 September 2009.

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 five members, four 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. Yuen Chi King, Wyman *(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. Lin Wing Chau, Mr. Victor Robert Lew 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. All independent non-executive Directors (except Mr. Yuen Chi King, Wyman) have been serving as Directors for more than five years.

Remuneration Committee

The Remuneration Committee was formed on 23 March 2005. The majority members of the Remuneration Committee consists 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. Yuen Chi King, Wyman *(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 2 July 2009 to review and approve the bonus of Directors and 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 four 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)*
Mr. Yuen Chi King, Wyman *(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 2010.

The amount of audit fee for the year ended 31 March 2010 was HK$510,000 (2009: HK$500,000). The amount of non-audit fees payable to the auditors of the Company for the year ended 31 March 2010 was HK$123,000 (2009: HK$120,000). 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.

INDEPENDENT AUDITOR'S REPORT

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
香港天華會計師事務所有限公司
12/F., China Merchants Tower, Shun Tak Centre,
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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 20 to 66, which comprise the consolidated and company balance sheets as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 2010 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, 7 July 2010

Chan Kwan Ho, Edmond
Practising certificate number P02092

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Turnover	4	**330,693**	396,849
Cost of sales		**(291,499)**	(347,396)
Gross profit		**39,194**	49,453
Other revenue	5	**4,397**	1,969
Other net (loss)/income	5	**(155)**	812
Administrative expenses		**(27,069)**	(32,759)
Selling expenses		**(8,360)**	(6,292)
Profit from operations		**8,007**	13,183
Finance costs	6(a)	**(2,606)**	(4,514)
Share of loss of an associate	17	**(171)**	(2,288)
Profit before taxation	6	**5,230**	6,381
Income tax expense	7	**(250)**	(1,896)
Profit for the year and attributable to equity shareholders of the Company	10	**4,980**	4,485
		HK cent	*HK cent*
Earnings per share	11	**2.1**	1.9

The notes on pages 26 to 66 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
Profit for the year	**4,980**	4,485
Other comprehensive income for the year:		
Exchange differences on translation of financial statements of overseas operations, net of nil tax	**1,649**	(1,925)
Total comprehensive income for the year and attributable to equity shareholder of the Company	**6,629**	2,560

The notes on pages 26 to 66 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	13	**179,172**	192,379
Prepaid land premiums	14	**8,172**	7,525
Investment properties	15	**3,807**	3,458
Interest in an associate	17	**1,780**	1,952
		192,931	205,314
Current assets			
Inventories	18	**28,949**	33,878
Trade receivables	19	**32,446**	13,168
Other receivables, prepayments and deposits	20	**11,412**	5,527
Amount due from an associate	17	**2,845**	1,964
Cash and cash equivalents	21	**628**	4,543
		76,280	59,080
Current liabilities			
Trade payables	22	**16,127**	10,678
Bills payable		**6**	1,248
Other payables and accrued charges		**10,295**	26,789
Amounts due to minority shareholders of a subsidiary	23	**3,280**	3,039
Interest-bearing borrowings	24	**36,856**	23,297
Obligations under finance leases	25	**86**	1,701
Amount due to a director	26	**–**	8,500
Other short term loan	27	**–**	5,500
		66,650	80,752
Net current assets/(liabilities)		**9,630**	(21,672)
Total assets less current liabilities		**202,561**	183,642
Non-current liabilities			
Interest-bearing borrowings	24	**31,100**	20,500
Obligations under finance leases	25	**135**	222
Deferred tax liabilities	28	**2,567**	2,317
Provision and other accrued charges	29	**7,644**	6,117
		41,446	29,156
NET ASSETS		**161,115**	154,486
CAPITAL AND RESERVES			
Share capital	30(c)	**23,640**	23,640
Reserves		**137,475**	130,846
TOTAL EQUITY		**161,115**	154,486

Approved and authorised for issue by the board of directors on 7 July 2010.

Victor Robert Lew *DIRECTOR*	**Cheng Kwai Chun, John** *DIRECTOR*

The notes on pages 26 to 66 form part of these financial statements.

BALANCE SHEET

At 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Investments in subsidiaries	16	**113,303**	113,303
Current assets			
Other receivables, prepayments and deposits		**179**	167
Amounts due from subsidiaries	16	**30,448**	30,498
Cash and cash equivalents		**2**	1
		30,629	30,666
Current liabilities			
Accrued charges		**442**	373
Amount due to a subsidiary	16	**24**	24
		466	397
Net current assets		**30,163**	30,269
NET ASSETS		**143,466**	143,572
CAPITAL AND RESERVES	30		
Share capital		**23,640**	23,640
Reserves		**119,826**	119,932
TOTAL EQUITY		**143,466**	143,572

Approved and authorised for issue by the board of directors on 7 July 2010.

Victor Robert Lew
DIRECTOR

Cheng Kwai Chun, John
DIRECTOR

The notes on pages 26 to 66 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	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 2008	23,640	5,987	32,680	6,038	83,581	151,926
Changes in equity for 2009:						
Total comprehensive income for the year	–	–	–	(1,925)	4,485	2,560
At 31 March 2009	23,640	5,987	32,680	4,113	88,066	154,486
At 1 April 2009	23,640	5,987	32,680	4,113	88,066	154,486
Changes in equity for 2010:						
Total comprehensive income for the year	–	–	–	1,649	4,980	6,629
At 31 March 2010	23,640	5,987	32,680	5,762	93,046	161,115

The notes on pages 26 to 66 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2010

	Note	**2010** **HK$'000**	2009 HK$'000
Operating activities			
Profit before taxation		**8,007**	13,183
Adjustments for:			
– Gain on disposal of property, plant and equipment	5	**(55)**	(468)
– Interest income	5	**(5)**	(21)
– Amortisation of prepaid land premiums	6(c)	**209**	188
– Depreciation of property, plant and equipment	6(c)	**24,722**	24,206
– Impairment loss on trade receivables	6(c)	**98**	2,203
– Impairment loss on amount due from an associate	6(c)	**3,300**	2,500
– Provision for inventories	6(c)	**2,019**	1,384
– Provision for long service payments	6(b),29(a)	**(283)**	374
– Exchange realignment		**127**	68
Operating profit before changes in working capital		**38,139**	43,617
Decrease/(increase) in inventories		**2,910**	(980)
Increase in trade receivables		**(19,376)**	(9,220)
(Increase)/decrease in other receivables, prepayments and deposits		**(5,886)**	922
Increase in an amount due from an associate		**(4,181)**	(2,411)
Increase in trade payables		**5,449**	1,639
(Decrease)/increase in bills payable		**(1,242)**	258
(Decrease)/increase in other payables and accrued charges		**(16,494)**	4,565
Increase in provision and other accrued charges		**1,810**	4,608
Cash generated from operations		**1,129**	42,998
Interest received		**5**	21
Net cash generated from operating activities		**1,134**	43,019
Investing activities			
Purchase of property, plant and equipment		**(10,170)**	(15,825)
Purchase of land premium		**(824)**	–
Proceeds from disposal of property, plant and equipment		**118**	491
Net cash used in investing activities		**(10,876)**	(15,334)
Financing activities			
New interest-bearing borrowings raised		**145,102**	128,091
Repayments of interest-bearing borrowings		**(124,012)**	(155,030)
Interests paid		**(2,606)**	(4,514)
Capital element of finance leases rental payments		**(1,702)**	(4,377)
Repayment of other short term loan		**(5,500)**	(3,000)
Repayment of amount due to a director		**(8,500)**	–
Net cash generated from/(used in) financing activities		**2,782**	(38,830)
Net decrease in cash and cash equivalents		**(6,960)**	(11,145)
Cash and cash equivalents at 1 April		**(927)**	10,295
Effect of foreign exchange rate changes		**(24)**	(77)
Cash and cash equivalents at 31 March	21	**(7,911)**	(927)

The notes on pages 26 to 66 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

1. COMPANY INFORMATION

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, 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").

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.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 38).

A summary of significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

The consolidated financial statements for year ended 31 March 2010 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in an associate.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

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 37.

(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 and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income 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)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 and any impairment loss relating to the investment (see note 2(j)(ii)). The Group's share of the post-acquisition, post-tax results of the associates and any impairment losses for the year are recognised in the consolidated income statement whereas the Group's share of the post-acquisition post-tax items of the associates' other comprehensive income is recognised in the consolidated statement of comprehensive income.

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 Group's interest in the associate is the carrying of the investment under the equity method together with the Group's long-term interests that in substance from part 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)).

(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 acquiee'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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leased assets *(Continued)*

(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 (see note 2(j)(ii)). 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 investments in equity securities and other receivables

Investment in equity securities (other than investments in subsidiaries, see note 2(j)(ii)) and other current 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;

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

– a significant or prolonged decline in the fair value of an investment in an equity investment below its cost.

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

For investment in an associate recognised using the equity method (see note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 2(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(j)(ii).

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.

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 then, 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, demand deposits with banks and other financial institutions, and short-term, highly liquid investments 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(p) Employee benefits

(i) Employee benefits entitlements

Salaries, bonuses, paid annual leave and the cost of other 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Employee benefits *(Continued)*

(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) Pension obligations

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

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.

(iv) 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

(i) 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 they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Income tax *(Continued)*

(ii) 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.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences 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.

(iv) 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:

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Income tax *(Continued)*

(iv) *(Continued)*

– 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.

(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) 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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 results 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 in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

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

(v) 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 or a joint venture 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)*

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 8, Operating segments
- HKAS 1 (revised 2007), Presentation of financial statements
- HKAS 23 (revised 2007), Borrowing costs
- Improvements to HKFRSs (2008)
- Amendments to HKFRS 7, Financial instruments: Disclosures – improving disclosures about financial instruments
- Amendments to HKAS 27, Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate
- Amendments to HKFRS 2, Share-based payment – vesting conditions and cancellations

Except for HKFRS 8 and HKAS 1 (revised 2007) as described below, the adoption of these new and revised HKFRS have no significant impact on the Group's financial statements.

HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management. Note 12 explains the basis of preparation of the segment information.

As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

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:

	2010	2009
	HK$'000	*HK$'000*
Sales of goods	**326,743**	396,068
Sub-contracting income	**3,950**	781
	330,693	396,849

5. OTHER REVENUE AND NET (LOSS)/INCOME

	2010	2009
	HK$'000	*HK$'000*
Other revenue		
Claims and compensation received	**816**	–
Discount received	**512**	178
Interest income	**5**	21
Reimbursement income	**1,151**	391
Sales of scrap and unused raw materials	**1,171**	1,343
Sundry	**742**	36
	4,397	1,969
Other net (loss)/income		
Exchange (losses)/gains, net	**(210)**	344
Gain on disposal of property, plant and equipment	**55**	468
	(155)	812

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging:

		2010	2009
		HK$'000	*HK$'000*
(a)	**Finance costs:**		
	Implied interest on financing the acquisition of property, plant and equipment	**305**	982
	Interest on bank loans wholly repayable within five years	**649**	1,478
	Interest on loans from other financial institutions wholly repayable within five years	**1,613**	1,751
	Interest on amount due to a director	**–**	123
	Interest on other short term loan	**8**	36
	Finance charges on finance leases	**31**	144
		2,606	4,514
(b)	**Staff costs:**		
	Salaries, wages and allowances	**78,086**	91,886
	Contributions to defined contribution retirement plans	**719**	687
	Staff welfare and benefits	**2,086**	4,861
	Provision for long service payments	**(283)**	374
		80,608	97,808
(c)	**Other items:**		
	Auditor's remuneration	**504**	509
	Amortisation of prepaid land premiums	**209**	188
	Cost of inventories sold *	**291,499**	347,396
	Cost of temporary textile quota entitlements	**–**	3,149
	Depreciation on property, plant and equipment	**24,722**	24,206
	Impairment loss on trade receivables	**98**	2,203
	Impairment loss on amount due from an associate	**3,300**	2,500
	Operating lease rentals: minimum lease payments – property rentals	**27**	674
	Provision for inventories	**2,019**	1,384

* Cost of inventories includes HK$89,152,000 (2009: HK$102,833,000) 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 in note 6(b) for each of these types of expenses.

7. INCOME TAX

The charge comprises deferred tax charge of HK$250,000 (2009: HK$1,896,000) (Note 28).

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:

	2010	2009
	HK$'000	*HK$'000*
Profit before taxation	**5,230**	6,381
Add: Loss of an associate	**171**	2,288
	5,401	8,669
Notional tax at Hong Kong Profits Tax rate of 16.5% (2009: 16.5%)	**891**	1,430
Tax effect of expenses not deductible for tax purpose	**3,263**	4,185
Tax effect of income not taxable	**(3,678)**	(4,557)
Tax effect of tax losses not recognised	**508**	506
(Over)/under-provision of deferred tax in respect of prior year	**(734)**	332
Actual tax expense	**250**	1,896

8. DIRECTORS' REMUNERATION

Details of directors' remuneration for the years ended 31 March 2010 and 2009 are set out below:

	Directors' fees		**Salaries, allowances and benefits in kind**		**Retirement scheme contributions**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Executive directors								
Cheng Kwai Chun, John	**–**	–	**1,024**	1,045	**12**	12	**1,036**	1,057
Lin Chick Kwan	**–**	–	**913**	949	**12**	12	**925**	961
Lin Wing Chau	**–**	–	**913**	919	**12**	12	**925**	931
Non-executive director								
Lew Victor Robert	**–**	–	**240**	240	**2**	2	**242**	242
Independent non-executive directors								
Ko Hay Yin, Karen	**60**	60	**–**	–	**–**	–	**60**	60
Chow Chan Lum	**60**	60	**–**	–	**–**	–	**60**	60
Ho Man Yee, Esther	**60**	60	**–**	–	**–**	–	**60**	60
Yuen Chi King, Wyman (appointed on 1 September 2009)	**35**	–	**–**	–	**–**	–	**35**	–
	215	180	**3,090**	3,153	**38**	38	**3,343**	3,371

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2009: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2009: two) individuals are as follows:

	2010	2009
	HK$'000	*HK$'000*
Salary and other emoluments	**1,085**	1,118
Performance related incentive payments	**260**	380
Retirement scheme contributions	**24**	24
	1,369	1,522

The emoluments of the two (2009: two) individuals with the highest emoluments are within the following band:

	No.of persons	
	2010	2009
HK$Nil – HK$1,000,000	**2**	2

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company includes a loss of HK$106,000 (2009: HK$9,000) which has been dealt with in the financial statements of the Company.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to shareholders of the Company of HK$4,980,000 (2009: HK$4,485,000) and on 236,402,000 (2009: 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 years ended 31 March 2010 and 2009.

12. SEGMENT REPORTING

On adoption of HKFRS 8, the Group has identified and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their assessment of performance and resources allocation. The executive directors manage the Group's operations as a single business segment. The Group's operations are monitored and strategic decisions are made on the basis of operating results, consolidated assets and liabilities as reflected in the Group's financial statements.

(a) Geographical information

The Group's revenue from external customers by geographical market is as follows:

	2010	2009
	HK$'000	*HK$'000*
United States of America	**260,041**	367,132
Europe	**39,848**	10,689
Asia	**17,636**	5,023
Australia	**447**	2,379
Others	**12,721**	11,626
	330,693	396,849

The Group's information about its non-current assets by geographic location is as follows:

	2010	2009
	HK$'000	*HK$'000*
Mainland China	**156,754**	163,628
Hong Kong	**18,546**	24,742
Thailand	**17,631**	16,944
	192,931	205,314

(b) Major customers

Revenue from major customers, each of whom amounted to 10% or more of the total revenue, is set out below:

	2010	2009
	HK$'000	*HK$'000*
Customer A	**105,388**	90,632
Customer B	**63,651**	73,386
Customer C	**44,430**	53,274
Customer D	**35,509**	33,226
Customer E	**31,717**	110,657

13. PROPERTY, PLANT AND EQUIPMENT

The Group	Land and building 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 2008	121,307	15,792	163,910	7,125	6,172	314,306
Exchange realignment	(2,449)	(39)	(796)	(70)	(9)	(3,363)
Additions	15	874	13,874	743	609	16,115
Eliminated on disposals	–	(1,022)	(2,250)	(326)	(610)	(4,208)
At 31 March 2009	118,873	15,605	174,738	7,472	6,162	322,850
At 1 April 2009	118,873	15,605	174,738	7,472	6,162	322,850
Exchange realignment	2,003	72	747	62	13	2,897
Additions	976	1,191	6,738	1,032	233	10,170
Eliminated on disposals	–	–	(344)	(37)	(272)	(653)
At 31 March 2010	121,852	16,868	181,879	8,529	6,136	335,264
Depreciation and impairment						
At 1 April 2008	26,838	5,877	67,282	6,194	5,824	112,015
Exchange realignment	(639)	(40)	(798)	(78)	(10)	(1,565)
Provided for the year	3,143	384	19,939	532	208	24,206
Eliminated on disposals	–	(1,022)	(2,250)	(303)	(610)	(4,185)
At 31 March 2009	29,342	5,199	84,173	6,345	5,412	130,471
At 1 April 2009	29,342	5,199	84,173	6,345	5,412	130,471
Exchange realignment	616	66	733	62	12	1,489
Provided for the year	3,172	373	20,276	638	263	24,722
Eliminated on disposals	–	–	(344)	(35)	(211)	(590)
At 31 March 2010	33,130	5,638	104,838	7,010	5,476	156,092
Carrying amount						
At 31 March 2010	88,722	11,230	77,041	1,519	660	179,172
At 31 March 2009	89,531	10,406	90,565	1,127	750	192,379

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

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

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Under medium term leases		
Hong Kong	**6,254**	5,448
Mainland China	**68,657**	70,633
Freehold		
Thailand	**13,811**	13,450
	88,722	89,531

At 31 March 2010, the carrying amounts of a motor vehicle and plant and machinery held under finance leases were HK$202,000 (2009: HK$288,000) and HK$2,348,000 (2009: HK$3,131,000) respectively.

14. PREPAID LAND PREMIUMS

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Cost		
At 1 April	**9,418**	9,393
Additions	**824**	–
Exchange realignment	**35**	25
At 31 March	**10,277**	9,418
Amortisation		
At 1 April	**1,893**	1,703
Exchange realignment	**3**	2
Provided for the year	**209**	188
At 31 March	**2,105**	1,893
Carrying amount	**8,172**	7,525

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

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Under medium term leases		
Hong Kong	**3,578**	2,851
Mainland China	**4,594**	4,674
	8,172	7,525

15. INVESTMENT PROPERTIES

	The Group	
	2010	2009
	HK$'000	*HK$'000*
At cost		
At 1 April	**3,458**	3,918
Exchange realignment	**349**	(460)
At 31 March	**3,807**	3,458

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 HK$13,400,000.

16. SUBSIDIARIES

	The Company	
	2010	2009
	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	**30,448**	30,498
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 (2009: HK$74,587,000) was recognised based upon the directors' estimation on the net recoverable amount of the investments in subsidiaries.

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

16. SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries as at 31 March 2010 are as follows:

Name of subsidiary	Place of incorporation or registration	Particular of issued and paid up share 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%	Dormant
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%	Properties holding
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
Pak Tak (America) Inc.	U.S.A	US$10	100%	Dormant

Addlink Limited is directly held by the Company while other subsidiaries are indirectly held by the Company. All subsidiaries operate principally in their respective place of incorporation or registration.

None of the subsidiaries had issued any debt securities at the end of the year.

普寧市百德針織有限公司 is a wholly foreign owned enterprise.

Pak Tak Holdings (Hong Kong) Limited was de-registered from the Hong Kong Companies Registry on 9 April 2010.

17. ASSOCIATE

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Share of net assets	**1,780**	1,952
Amount due from an associate	**8,645**	4,464
Less: Provision for impairment loss	**(5,800)**	(2,500)
	2,845	1,964

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

Particulars of the associate as at 31 March 2010 are as follows:

Name of associate	Place of incorporation and operation	Particular of issued and paid up capital	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	HK$3,000,000	49%	Trading and manufacturing of knitwear and other apparel products

An extract of the operating results and financial position of the Group's associate is as follows:

	2010	2009
	HK$'000	*HK$'000*
Operating results		
Turnover	**75,544**	107,191
Loss before taxation	**(375)**	(4,733)
Income tax	**25**	62
Loss after taxation	**(350)**	(4,671)
Group's share of loss after taxation	**(171)**	(2,288)
Financial position		
Non-current assets	**7,730**	9,741
Current assets	**30,633**	31,895
Current liabilities	**(31,809)**	(34,510)
Non-current liabilities	**(2,921)**	(3,143)
Net assets	**3,633**	3,983
Group's share of net assets	**1,780**	1,952

18. INVENTORIES

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Inventories in the consolidated balance sheet comprise:		
Raw materials	**5,718**	10,442
Work in progress	**16,579**	16,462
Finished goods	**6,652**	6,974
	28,949	33,878

19. TRADE RECEIVABLES

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**32,627**	17,549
Less: Allowance for doubtful debts *(Note 19(b))*	**(181)**	(4,381)
	32,446	13,168

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

(a) Ageing analysis

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

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Current	**13,411**	11,645
Less than one month past due	**6,979**	1,518
1 to 3 months past due	**7,303**	5
More than 3 months past due	**4,753**	–
Amounts past due	**19,035**	1,523
	32,446	13,168

Trade receivables are due within 30 to 45 days from the date of billing. Further details on the Group's credit policy are set out in note 32(a).

19. 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 movements in the allowance for doubtful debts during the year are as follows:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
At 1 April	**4,381**	2,178
Impairment loss recognised	**98**	2,203
Uncollectible amounts written off	**(4,298)**	–
At 31 March	**181**	4,381

At 31 March 2010, certain trade receivables of approximately HK$181,000 (2009: HK$4,381,000) were individually determined to be impaired. The individually impaired receivables related to customers who were in financial difficulties. 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.

20. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

Included in the other receivables, prepayments and deposits was an amount of advance payment of HK$6,158,000 (2009: HK$nil) for purchase of computerised knitting machines which were delivered to the Group in May 2010.

21. CASH AND CASH EQUIVALENTS

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Cash and cash equivalents in the consolidated balance sheet	**628**	4,543
Bank overdrafts *(Note 24)*	**(8,539)**	(5,470)
Cash and cash equivalents in the consolidated cash flow statement	**(7,911)**	(927)

22. TRADE PAYABLES

The following is an ageing analysis of trade payables:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
0 – 30 days	**11,821**	8,758
31 – 60 days	**3,272**	1,878
61 – 90 days	**1,000**	29
Over 90 days	**34**	13
	16,127	10,678

23. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF A SUBSIDIARY

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

24. INTEREST-BEARING BORROWINGS

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Bank overdrafts *(Note 21)*	**8,539**	5,470
Bank loans	**39,275**	7,387
Borrowings from other financial institutions	**20,142**	30,940
	67,956	43,797
The maturity profile of the borrowings is as follows:		
Within 1 year	**36,856**	23,297
After 1 year but within 2 years	**16,169**	11,744
After 2 years but within 5 years	**14,931**	8,756
	67,956	43,797
Less: Amount due within one year classified as current liabilities	**(36,856)**	(23,297)
Amount due after one year	**31,100**	20,500

At 31 March 2010, interest-bearing borrowings of HK$11,326,000 (2009: HK$nil) were secured by guarantees to the extent of HK$9,600,000 from the Government of the Hong Kong Special Administrative Region under the Special Loan Guarantee Scheme and corporate guarantees from the Company. Other interest-bearing borrowings of HK$56,630,000 (2009: HK$43,797,000) were secured by pledge of the Group's machinery with a total carrying amount of HK$54,761,000 (2009: HK$44,038,000), the Group's leasehold properties in Hong Kong and Mainland China with a total carrying amount of HK$4,950,000 (2009: HK$nil) and HK$65,179,000 (2009: HK$66,933,000), respectively, personal guarantee from a director, a pledged bank deposit of a director, legal charges on certain leasehold properties owned by a director and companies controlled by that director.

25. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The Group				
Amount payable under finance leases:				
Within 1 year	**94**	1,733	**86**	1,701
After 1 year but within 2 years	**67**	96	**58**	87
After 2 years but within 5 years	**89**	156	**77**	135
	250	1,985	**221**	1,923
Less: Future finance charges	**(29)**	(62)	**–**	–
Present value of lease obligations	**221**	1,923	**221**	1,923
Less: Amount due within one year classified as current liabilities			**(86)**	(1,701)
Amount due after one year			**135**	222

The Group has leased a motor vehicle and certain of its plant and machinery under finance leases with an average lease term of 3 years and 3.5 years respectively. The interest rate for one lease is HIBOR plus 2% and the interest rate for the other lease was fixed at the contract date and the average effective rate for the year was 3% (2009: 4%) per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

26. AMOUNT DUE TO A DIRECTOR

The amount due to a director was unsecured and had no fixed terms of repayment. Interest was charged at the interest rate for 6-month fixed deposits as quoted by the Hong Kong Monetary Authority from time to time.

27. OTHER SHORT TERM LOAN

The loan, payable to the estate of Cheng Chi Tai (a former director), was unsecured and had no fixed terms of repayment. Interest was charged at the interest rate for 6-month fixed deposits as quoted by the Hong Kong Monetary Authority from time to time.

28. 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 2008	12,928	(12,507)	421
(Credited)/charged to income statement *(Note 7)*	(711)	2,607	1,896
At 31 March 2009	12,217	(9,900)	2,317
(Credited)/charged to income statement *(Note 7)*	(1,736)	1,986	250
At 31 March 2010	10,481	(7,914)	2,567

At 31 March 2010, the Group has unused tax losses of HK$102,697,000 (2009: HK$111,710,000). A deferred tax asset has been recognised in respect of HK$47,964,000 (2009: HK$60,001,000) of such losses. No deferred tax asset has been recognised in respect of the remaining balance of HK$54,733,000 (2009: HK$51,709,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$46,598,000 (2009: HK$42,101,000) 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.

29. PROVISION AND OTHER ACCRUED CHARGES

	The Group	
	2010 ***HK$'000***	2009 *HK$'000*
Provision for long service payments *(Note 29(a))*	**1,018**	1,361
Other accrued charges *(Note 29(b))*	**6,626**	4,756
	7,644	6,117

(a) 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.

29. PROVISION AND OTHER ACCRUED CHARGES *(Continued)*

(a) Provision for long service payments *(Continued)*

Movements in the provision for long service payments during the year are as follows:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
At 1 April	**1,361**	1,135
Amount (credited)/charged to income statement	**(283)**	374
Benefit payments	**(60)**	(148)
At 31 March	**1,018**	1,361

(b) Other accrued charges

Other accrued charges represent liabilities in respect of staff benefits.

30. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital *HK$'000*	**Share premium** *HK$'000*	**Contributed surplus** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 April 2008	23,640	5,987	181,059	(67,105)	143,581
Changes in equity for 2009:					
Total comprehensive loss for the year	–	–	–	(9)	(9)
At 31 March 2009	23,640	5,987	181,059	(67,114)	143,572
At 1 April 2009	23,640	5,987	181,059	(67,114)	143,572
Changes in equity for 2010:					
Total comprehensive loss for the year	–	–	–	(106)	(106)
At 31 March 2010	**23,640**	**5,987**	**181,059**	**(67,220)**	**143,466**

(b) Dividend

The directors do not recommend the payment of dividend for the year ended 31 March 2010 (2009: HK$nil).

30. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital

Authorised and issued share capital

	2010		2009	
	No. of shares *'000*	***HK$'000***	No. of shares *'000*	*HK$'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).

30. CAPITAL, RESERVES AND DIVIDENDS *(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 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:

	2010	2009
	HK$'000	*HK$'000*
Contributed surplus	**181,059**	181,059
Accumulated losses	**(67,220)**	(67,114)
	113,839	113,945

(f) Capital management

The Group's objective to manage capital is 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 include bills payable, interest-bearing borrowings, obligations under finance leases, amount due to a director and other short term loan). Total shareholders' fund comprises all components of equity.

During 2010, the Group's strategy is to maintain the gearing ratio with a range from 35% to 45%.

30. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(f) Capital management *(Continued)*

The gearing ratio at 31 March 2010 and 2009 was as follows:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Current liabilities		
Bills payable	**6**	1,248
Interest-bearing borrowings	**36,856**	23,297
Obligations under finance leases	**86**	1,701
Amount due to a director	**–**	8,500
Other short term loan	**–**	5,500
	36,948	40,246
Non-current liabilities		
Interest-bearing borrowings	**31,100**	20,500
Obligations under finance leases	**135**	222
	31,235	20,722
Total debt	**68,183**	60,968
Total shareholders' fund	**161,115**	154,486
Gearing ratio	**42%**	39%

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

31. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a shareholders' resolution passed on 9th November, 2001 for the purpose of providing incentives or rewards to directors and full-time employees of the Group and will expire on the tenth anniversary of the date adoption of the Scheme. Under the Scheme, the directors of the Company may grant options to directors and full-time employees of the Group to subscribe for shares in the Company at a price equal to the higher of: (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.

31. 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.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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 to 45 days from the date of billing. Debtors with balances over 90 days are monitored tightly and regularly. Normally, the Group 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 the USA with higher credit-ratings.

At the balance sheet date, the Group had a certain concentration of credit risk as 56% (2009: 65%) and 97% (2009: 93%) of the total trade receivables was due from the largest customer and the five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 19.

(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.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk *(Continued)*

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:

	2010					2009				
	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	**16,127**	**16,127**	**16,127**	**–**	**–**	10,678	10,678	10,678	–	–
Bills payable	**6**	**6**	**6**	**–**	**–**	1,248	1,248	1,248	–	–
Other payables and accrued charges	**10,295**	**10,295**	**10,295**	**–**	**–**	26,789	26,789	26,789	–	–
Amounts due to minority shareholders of a subsidiary	**3,280**	**3,280**	**3,280**	**–**	**–**	3,039	3,039	3,039	–	–
Amount due to a director	**–**	**–**	**–**	**–**	**–**	8,500	8,500	8,500		
Interest-bearing borrowings	**67,956**	**70,525**	**38,380**	**16,923**	**15,222**	43,797	46,899	24,958	12,773	9,168
Obligations under finance leases	**221**	**250**	**94**	**67**	**89**	1,923	1,985	1,733	96	156
Other short term loan	**–**	**–**	**–**	**–**	**–**	5,500	5,500	5,500	–	–
	97,885	**100,483**	**68,182**	**16,990**	**15,311**	101,474	104,638	82,445	12,869	9,324
The Company										
Accrued charges	**442**	**442**	**442**	**–**	**–**	373	373	373	–	–

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings, obligations under finance leases, amount due to a director and other short 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).

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk *(Continued)*

(i) Interest rate profile

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

	2010 Effective interest rate %	**2010** HK$'000	2009 Effective interest rate %	2009 HK$'000
Variable rate deposits:				
Bank deposits	**1.57**	**319**	0.35	2,397
Fixed rate borrowings:				
Obligations under finance leases	**3.00**	**193**	3.57	251
Interest-bearing borrowings	**2.83**	**20,142**	2.79	30,940
		20,335		31,191
Variable rate borrowings:				
Obligations under finance leases	**2.68**	**28**	3.86	1,672
Interest-bearing borrowings	**2.12**	**47,814**	3.11	12,857
Amount due to a director	–	–	0.31	8,500
Other short term loan	–	–	0.51	5,500
		47,842		28,529
Net borrowings		**67,858**		57,323

(ii) Sensitivity analysis

At 31 March 2010, 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$397,000 (2009: HK$218,000).

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 2009.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Foreign currency risk

(i) Foreign currency transactions

The Group is exposed to currency risk primarily through sales and expense transactions that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk are primarily Renminbi, United States Dollars and Thai Baht.

(ii) Recognised assets and liabilities

In respect of trade and other receivables and payables held in currencies other than the functional currency of the Company, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(iii) The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the Company.

	The Group					
	2010			2009		
	Renminbi	**United States Dollars**	**Thai Baht**	Renminbi	United States Dollars	Thai Baht
	'000	***'000***	***'000***	*'000*	*'000*	*'000*
Trade receivables	**–**	**4,171**	**–**	–	1,512	–
Other receivables, prepayments and deposits	**2,146**	**811**	**210**	1,349	–	213
Cash and cash equivalents	**89**	**29**	**1,018**	78	60	1,189
Trade payables	**(3,331)**	**(580)**	**–**	(1,019)	(115)	–
Bills payable	**–**	**(1)**	**–**	–	(161)	–
Other payables and accrued charges	**(4,867)**	**–**	**(976)**	(4,396)	(2,136)	(968)
Amounts due to minority shareholders of a subsidiary	**–**	**–**	**(11,000)**	–	–	(11,000)
Provision and other accrued charges	**(5,870)**	**–**	**–**	(4,223)	–	–
Net exposure arising from recognised assets and liabilities	**(11,833)**	**4,430**	**(10,748)**	(8,211)	(840)	(10,566)

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Foreign currency risk *(Continued)*

(iv) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

	The Group			
	2010		2009	
	Increase/ (decrease) in foreign exchange rate	**Effect on profit after tax and retained profits *HK$'000***	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained profits *HK$'000*
Renminbi	**5%**	**(561)**	5%	(388)
	(5%)	**561**	(5%)	388
United States Dollars	**5%**	**1,436**	5%	(272)
	(5%)	**(1,436)**	(5%)	272
Thai Baht	**5%**	**(107)**	5%	(96)
	(5%)	**107**	(5%)	96

The sensitivity analysis has been determined assuming that the change in foreign exchange rates occurred at the balance sheet date and applied to each of the Group entities' exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong Dollar and the United States Dollar would be materially unaffected by any changes in movement in value of the United States Dollars against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profit/(loss) after tax and equity measured in the respective functional currencies, translated into Hong Kong Dollars at the exchange rate ruling as at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2009.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2010 and 2009.

33. COMMITMENTS

Capital commitments outstanding at 31 March 2010 not provided for in the financial statements were as follows:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Authorised and contracted for		
– Acquisition of property, plant and equipment	**689**	6,802

34. FINANCIAL GUARANTEES ISSUED

At 31 March 2010, the Company had issued corporate guarantees to banks and other financial institutions in connection with facilities granted to certain subsidiaries amounting to HK$147 million (2009: HK$110 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 2010, 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$62 million (2009: HK$40 million).

35. 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:

	2010	2009
	HK$'000	*HK$'000*
Salaries, allowances and other benefits	**4,650**	4,831
Contributions to defined contributions retirement plan	**62**	62
	4,712	4,893

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

(b) Financing arrangement

	2010	2009
	HK$'000	*HK$'000*
Amount due to a director *(note 26)*	**–**	8,500

35. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(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 24). In addition, the Group entered into the following material related party transactions during the year:

Name of related party	Nature of transaction	2010 HK$'000	2009 HK$'000
Pak Tak (Kwong Tai)	Sub-contracting income	**200**	43
	Sales of goods	**14,944**	2,506
	Sample sales income	**201**	394
	Rental and other income	**596**	391
	Commission paid	**370**	3
	Impairment loss on amount due	**3,300**	2,500
	Purchase of leasehold properties	**1,800**	–
Estate of Cheng Chi Tai	Interest expense	**8**	36
Cheng Kwai Chun, John	Interest expense	**–**	123

Balances with related parties are disclosed in the balance sheets and in notes 16, 17, 23, 26 and 27.

36 COMPARATIVE FIGURES

As a result of the application of HKAS 1 (Revised 2007), Presentation of financial statements, and HKFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2010. Further details of these developments are disclosed in note 3.

37. 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.

37. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(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.

(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.

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2010

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 2010 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 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
Improvements to HKFRSs (2009)	Improvements to HKFRSs (including amendments to HKFRS 8, HKASs 1, 7, 18 and 36)	1 July 2009 or 1 January 2010
HKAS 24 (Revised)	Related party disclosures	1 January 2011
Improvements to HKFRSs (2010)	Improvements to HKFRSs (including amendments to HKAS 1, HKFRSs 3 and 7)	1 January 2011

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 their adoption is unlikely to have a significant impact on the Group's results of operations and financial position.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2006	2007	2008	2009	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	341,810	352,151	354,088	396,849	**330,693**
Profit from operations	3,618	3,107	4,957	13,183	**8,007**
Finance costs	(4,094)	(4,160)	(4,754)	(4,514)	**(2,606)**
Share of results of an associate	1,402	2,139	699	(2,288)	**(171)**
Profit before taxation	926	1,086	902	6,381	**5,230**
Income tax	(126)	(50)	(245)	(1,896)	**(250)**
Profit attributable to shareholders	800	1,036	657	4,485	**4,980**

ASSETS AND LIABILITIES

	At 31 March				
	2006	2007	2008	2009	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	254,164	252,531	277,369	264,394	**269,211**
Total liabilities	(109,420)	(102,587)	(125,443)	(109,908)	**(108,096)**
Total equity	144,744	149,944	151,926	154,486	**161,115**

NOTICE OF ANNUAL GENERAL MEETING

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, 24th August, 2010 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 31st March, 2010.

2. (A) To re-elect Mr. Lin Wing Chau as an Executive Director (Note 5(a)).

   (B) To re-elect Mr. Victor Robert Lew as a Non-Executive Director (Note 5(b)).

   (C) To re-elect Ms. Ko Hay Yin, Karen as an Independent Non-Executive Director (Note 5(c)).

   (D) 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, warrants, options or similar rights 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, warrants, options or similar rights 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, warrants, options or similar rights 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, warrants, options or similar rights 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."

5. To consider and, if thought fit, to pass the following resolution with or without amendments as special resolution:

"**THAT** the bye-laws of the Company be and are hereby amended in the following manner:

(a) amending existing Bye-law 1 as follows:

(i) adding the following new definition of "associate" immediately following the existing definition of "Act":

""associate" the meaning attributed to it in the rules of the Designated Stock Exchange.";

(ii) amending existing definition of "clearing house" by deleting the words "a recognised clearing house within the meaning of Section 2 of the Securities and Futures (Clearing Houses) Ordinance of Hong Kong or";

(b) amending existing Bye-law 6 by inserting the words ", save for the use of share premium as expressly permitted by the Act," immediately after the words "reduce its authorised or issued share capital or" in the second line of the existing Bye-law 6;

(c) amending existing Bye-law 16 by inserting the words "or with the Seal printed thereon" after the words "Seal or a facsimile thereof" in the first line of the existing Bye-law 16;

(d) deleting existing Bye-law 103(5) in its entirety and inserting the words "Intentionally Deleted";

(e) amending existing Bye-law 148 by deleting the words "and subject to Section 40(2A) of the Act" in the thirteenth line of the existing Bye-law 148; and

(f) amending existing Bye-law 157 by deleting the words "the Directors shall as soon as practicable convene a special general meeting to fill the vacancy" after the words "services are required," and inserting immediately thereafter the words "the Directors shall fill the vacancy and fix the remuneration of the Auditor so appointed" in the last line of existing Bye-law 157."

On behalf of the Board
Victor Robert Lew
Chairman

Hong Kong, 22nd July, 2010

NOTICE OF ANNUAL GENERAL MEETING

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 17th August, 2010 (Tuesday) to 24th August, 2010 (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 16th August, 2010 (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 2010 annual report of the Company.

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

(a) Mr. LIN Wing Chau, aged 53, an Executive Director of the Company. Mr. Lin joined the Group in 1977 and is responsible for the sales and distribution operations of the Group. Mr. Lin has over 30 years of experience in knitwear and garment manufacturing business.

Mr. Lin is a director of Rich Source Limited, a subsidiary of the Group. He is a cousin of Mr. Lin Chick Kwan (an Executive Director of the Company) and Mr. Lin Chik Wai (a senior management of the Company). Save as aforesaid and as at date hereof: (i) Mr. Lin did not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company, (ii) Mr. Lin did not hold any directorship in other listed public companies in the past three years and did not hold any other positions with the Company or other members of the Group, (iii) Mr. Lin did not have any other major appointments. Mr. Lin is not appointed for a specific term but is subject to retirement and re-election in accordance with the Bye-laws of the Company. As at the date hereof, he is entitled to director's fee of HK$925,210 per annum plus discretionary bonus to be determined by the Board at its discretion by reference to his performance and the business of the Group.

As at the date hereof, Mr. Lin does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO").

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

(b) Mr. Victor Robert LEW, aged 54, the Non-Executive Director and Chairman of the Company. Mr. Lew is also an independent non-executive director of Sincere Watch (Hong Kong) Limited, and 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 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. Save as aforesaid and as at date hereof: (i) Mr. Lew did not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company, (ii) Mr. Lew did not hold any directorship in other listed public companies in the past three years and did not hold any other positions with the Company or other members of the Group, (iii) Mr. Lew did not have any major appointments. Mr. Lew is not appointed for a specific term but is subject to retirement and re-election in accordance with the Bye-laws of the Company. As at the date hereof, he is entitled to director's fee of HK$242,000 per annum plus discretionary bonus to be determined by the Board at its discretion by reference to his performance and the business of the Group.

As at the date hereof, Mr. Lew does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

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

(c) Ms. KO Hay Yin, Karen, aged 57, 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. 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 administration in 1987 from the University of Macau (formerly known as the University of East Asia). Save as aforesaid and as at date hereof: (i) Ms. Ko did not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company, (ii) Ms. Ko did not hold any directorship in other listed public companies in the past three years and did not hold any other positions with the Company or other members of the Group, (iii) Ms. Ko did not have any major appointments. She is not appointed for a specific term but is subject to retirement and re-election in accordance with the Bye-laws of the Company. As at the date hereof, she is entitled to director's fee of HK$60,000 per annum.

As at the date hereof, Ms. Ko does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

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

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 and the Chairman; Ms. Ko Hay Yin, Karen, Mr. Chow Chan Lum, Ms. Ho Man Yee, Esther and Mr. Yuen Chi King, Wyman are Independent Non-executive Directors.