Pak Tak International Limited

Stock Code : 2668

Interim Report

2010

CONTENTS

REVIEW OF OPERATIONS

The board of directors (the "Directors") of Pak Tak International Limited (the "Company") has the pleasure of presenting the interim report and the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the six months ended 30 September 2010.

Turnover

The Group's performance for the six months ended 30 September 2010 was, on one hand, positive as sales increased by 19% from HK$202 million for the six months ended 30 September 2009 to HK$241 million. On the other hand, with higher operating cost due to the rise in raw material cost, the strengthening of the Chinese currency, the Renminbi, and the higher labor cost faced by many manufacturers, while combined with the general economic difficulties in the Group's principal market, the U.S. retail market, the Group's profitability in the period under review decreased by 18% from HK$22 million for the same period in 2009 to HK$18 million in the current period under review.

The Group's increase in sales for the six months under review can be attributed to an increase in sales effort. The integration of the Group's design team into its sales process has consolidated the Group's image as a provider of value-added and high-end manufacturer. The Group has been able to attract new orders on account of its ability to do more than the basic manufacturing.

For the period under review, the Group's major customers were located in the U.S. and accounted for approximately 81% of the Group's total revenue. The remaining 19% was generated from sales to customers located in Europe and Asia.

Profitability

As the growth of the U.S. economy slowed down in the first half of 2010, the Group's export sales faced intense pressure from its customers to hold down prices. Many U.S. retail customers have placed orders with the understanding that they would not allow the Group to transfer to them the increase in raw material and labor costs as faced by all manufacturers in southern China, or the increase in the Renminbi. Even though the Group's automated knitting machinery was able to absorb a significant portion of the rise in the cost structure of operating in China, the Group's gross margin decreased by 6% over the corresponding period of the previous year.

In recent months, the Renminbi has increased by approximately 3% against the U.S. dollars. The exposure of the Group's cost structure to the appreciation in the Renminbi, however, is mitigated by the fact that (i) the Group's raw material costs are predominantly quoted in U.S. dollars; (ii) the Group's production capacity is now extensively automated; and (iii) the Group owns the land on which its factory premises are built. Notwithstanding the Group's inherent hedge against currency exposure, the Group's labor and sub-contracting costs in the PRC, representing about 25% of turnover, are continued to be affected by the fluctuation of the Renminbi. The Group has endeavored to control the rise in labor cost by planning to add more computerized knitting machines to the production process and tightening the monitoring of labor input in the knitting process.

One of the major expenditures faced by the Group in the period under review was the increase in sales commission. In order to secure the increase in sales, the Group entered into a strategic arrangement with a trading house to pay sales commission for new orders. The effort was fruitful as turnover increased by 19%, against about HK$5 million in sales commission. Apart from the increase in sales commission, the Group's administrative expenses increased slightly by 2%. The Group's finance costs decreased by 17% over the previous period, reflecting the low interest charges on its financing.

Reflecting the difficulties of economic time, the Group reported a profit of HK$18 million (30 September 2009: HK$22 million) for the six months ended 30 September 2010, representing a decrease of 18% over the comparative period in 2009.

Liquidity and Capital Resources

The cash and cash equivalents of the Group were approximately HK$-3.3 million as at 30 September 2010, representing an increase of approximately HK$4.6 million as compared with the balance as at 31 March 2010. The increase in liquidity balance at 30 September 2010 was a direct result of the 19% increase in turnover.

The Group principally satisfies its demand for operating capital with cash inflow from operation and credit facilities of over HK$135 million (31 March 2010: HK$126 million), out of which HK$83 million has been utilized as at 30 September 2010. The credit facilities were partially secured by corporate guarantees given by the Company. The Directors believe that the Group will maintain a sound and stable financial position, with sufficient liquid capital and financial resources to satisfy its business needs.

At 30 September 2010, the Group's trade receivables balance stood at HK$87 million (31 March 2010: HK$32 million). As at the date of this report, however, almost all of the outstanding trade receivables have been collected.

Foreign Exchange Risks and Interest Rate Risk Management

The Group adopts strict and cautious policies in managing its exchange rate risk and interest rate risk. The sales of the Group are mainly denominated in U.S. dollars. In recent years, the Group's purchases of raw materials are settled principally in Hong Kong dollars and U.S. dollars. 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 continuing practice of the Mainland Chinese Government in pegging the Renminbi to the U.S. dollars has further reduced the Group's foreign currency exposure. During the six months ended 30 September 2010, the Group did not use any financial instruments to reduce the risk of change in exchange rates.

The Directors are of the opinion that the Group is not subject to any significant interest rate risk even though the bank borrowings of the Group, denominated in Hong Kong dollars, are on the floating rate basis. As the Group operates at the debt to equity ratio of 43%, the interest rate exposure is not significant.

Interim Dividend

The Directors have resolved not to recommend the payment of any interim dividend for the six months ended 30 September 2010 (30 September 2009: HK$ Nil).

Pledge of Assets

As at 30 September 2010, certain of the Group's machinery with a total carrying amount of HK$46 million (31 March 2010: HK$55 million) and certain of the Group's leasehold properties in Hong Kong and Mainland China with a total carrying amount of HK$4.9 million (31 March 2010: HK$5.0 million) and HK$64 million (31 March 2010: HK$65 million), respectively, were pledged to secure the credit facilities utilised by the Group.

Financial Guarantees Issued

At 30 September 2010, the Company had issued corporate guarantees to bank and other financial institutions in connection with facilities granted to certain of its subsidiaries amounting to approximately HK$143 million (31 March 2010: HK$147 million).

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

At 30 September 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$83 million (31 March 2010: HK$62 million).

Capital Expenditures and Commitments

During the period under review, the Group had capital expenditures of approximately HK$9 million (31 March 2010: 10 million).

As at 30 September 2010, the Group had no capital commitments in property, plant and equipment (31 March 2010: HK$0.7 million).

Employees and Remuneration Policies

As at 30 September 2010, the Group had a total of approximately 246 employees (30 September 2009: approximately 292 employees). The decrease reflected the Group's effort in automating its production process. The total staff cost of the Group amounted to approximately HK$52 million during the period, representing 22% of the Group's revenue. Employees' remuneration and bonuses are based on their performances, experience and the prevailing industry practice. The Group's remuneration policies and packages are reviewed periodically by the management of the Company. The Group provides relevant training to its employees in accordance with the skills requirements of different positions.

FUTURE PROSPECTS

In recent years, even during the economic downturn, especially in the U.S. markets, the Group has received strong support from its customers which have continued to place sales orders with the Group. With the ability of the Group's design team attracts sales orders, the Group has continued to demonstrate to customers its strength and solid foundation as a design-manufacturer.

The Group's major challenge is to control its cost structure in China in order to ensure that any rise in the Renminbi and the increase in labor cost can be absorbed without unduly affecting the Group's profitability. The Group has various options available, including exploring sales opportunities in markets outside U.S., or expanding production facilities outside of China. Given its solid base, the Group will be able to leverage on its resources to adopt measures to counter the difficult economic challenges that it faces.

DIRECTORS

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

Executive Directors

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

Non-executive Director

Mr. Victor Robert Lew

Independent Non-executive Directors

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

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2010, the interests and short positions of the Directors and chief executives of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which would have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of Director	Number of shares interested (Long Position)	Capacity	Approximate percentage of the issued share capital of the Company
Mr. Cheng Kwai Chun, John	60,420,000	Beneficial Owner	25.55%
	40,314,280 *(Note)*	Controlled Corporation	17.05%

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

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2010, so far as was known to the Directors or chief executives of the Company, the following persons had an interest or short position, other than the interests disclosed above in respect of Directors and chief executives, in the shares or the underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any members of the Group:

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

Notes:

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

2. Best Ahead Limited is incorporated in the British Virgin Islands, the entire issued share capital of which was beneficially owned by Mr. Cheng Chi Tai, the former chairman and a director of the Company, who passed away in January 2007. Such shares now form part of the estates of Mr. Cheng Chi Tai and are pending distribution by the executor. The sole director of Best Ahead Limited is Mr. Cheng Kwai Chun, John. Save as disclosed above, no Director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2010.

CORPORATE GOVERNANCE REPORT

The Directors are pleased to report that throughout the six months period ended 30 September 2010, the Company was in compliance with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules. In particular, the Company has ensured that:

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

are in compliance with the Code.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct rules (the "Model Code") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company confirms that all the Directors had complied with the Model Code in the six months period ended 30 September 2010.

COMMITTEES

The Directors have caused three committees to be formed pursuant to the Code: the Audit Committee, the Nomination Committee and the Remuneration Committee. The Audit Committee, comprising the four independent non-executive Directors, namely Mr. Chow Chan Lum, Ms. Ko Hay Yin, Karen, Ms. Ho Man Yee, Esther and Mr. Yuen Chi King, Wyman, has reviewed with the management and the auditors of the accounting principles and practices adopted by the Group and discussed and reviewed the unaudited consolidated financial statements for the six months ended 30 September 2010.

The interim results for the six months ended 30 September 2010 have been reviewed by the Company's auditors.

On behalf of the Board
Victor Robert Lew
Chairman

Hong Kong, 25 November 2010

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
天職香港會計師事務所有限公司

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

Introduction

We have reviewed the interim financial information set out on pages 10 to 24 which comprises the condensed consolidated balance sheet of Pak Tak International Limited as at 30 September 2010 and the related condensed consolidated income statement, statement of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34. Our responsibility is to express a conclusion, based on our review, on this interim financial information and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

BAKER TILLY HONG KONG LIMITED
Certified Public Accountants
Hong Kong, 25 November 2010

Chan Kwan Ho, Edmond
Practising certificate number P02092

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

		Six months ended 30 September	
		2010	2009
	Note	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Turnover	*4*	**240,599**	201,910
Cost of sales		**(206,842)**	(165,852)
Gross profit		**33,757**	36,058
Other revenue	*5*	**1,045**	1,513
Other net income	*5*	**202**	58
Administrative expenses		**(11,920)**	(11,738)
Selling expenses		**(5,638)**	(2,064)
Profit from operations	*6*	**17,446**	23,827
Finance costs	*7*	**(1,236)**	(1,495)
Share of results of an associate		**2,999**	413
Profit before taxation		**19,209**	22,745
Income tax	*8*	**(1,600)**	(1,220)
Profit for the period		**17,609**	21,525
Attributable to:			
Shareholders of the Company		**17,855**	21,525
Non-controlling interests		**(246)**	–
		17,609	21,525
		HK cents	*HK cents*
Earnings per share	*9*	**8**	9

The accompanying notes form part of this condensed financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period	**17,609**	21,525
Other comprehensive income for the period:		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	**1,083**	1,186
Reclassification adjustments for amounts on exchange reserve transferred to profit or loss on deregistration of subsidiary, net of nil tax	**(206)**	–
Total comprehensive income for the period	**18,486**	22,711
Attributable to:		
Shareholders of the Company	**19,396**	22,711
Non-controlling interests	**(910)**	–
	18,486	22,711

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2010

	Note	At 30 September 2010 HK$'000 (unaudited)	At 31 March 2010 HK$'000 (audited) (Restated)
Non-current assets			
Property, plant and equipment	11	179,404	182,750
Prepaid land premiums	12	4,589	4,594
Investment properties		4,045	3,807
Interest in an associate		4,780	1,780
		192,818	192,931
Current assets			
Inventories		37,331	28,949
Trade receivables	13	86,749	32,446
Other receivables, prepayments and deposits		6,119	11,412
Amount due from an associate		2,150	2,845
Cash and cash equivalents		723	628
		133,072	76,280
Current liabilities			
Trade payables	14	39,777	16,127
Bills payable		1,124	6
Other payables and accrued charges		13,010	10,295
Amounts due to minority shareholders of a subsidiary		3,446	3,280
Interest-bearing borrowings		54,456	36,856
Obligations under finance leases		58	86
		111,871	66,650
Net current assets		21,201	9,630
Total assets less current liabilities		214,019	202,561
Non-current liabilities			
Interest-bearing borrowings		22,545	31,100
Obligations under finance leases		106	135
Deferred tax liabilities		4,167	2,567
Provision and other accrued charges		7,600	7,644
		34,418	41,446
NET ASSETS		179,601	161,115
Capital and reserves			
Share capital		23,640	23,640
Reserves		156,871	137,475
Total equity attributable to shareholders of the Company		180,511	161,115
Non-controlling interests		(910)	–
TOTAL EQUITY		179,601	161,115

The accompanying notes form part of this condensed financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Attributable to shareholders of the Company							
	Share capital *HK$'000*	Share premium *HK$'000*	Special reserve *HK$'000*	Exchange reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 April 2009	23,640	5,987	32,680	4,113	88,066	154,486	–	154,486
Total comprehensive income for the period	–	–	–	1,186	21,525	22,711	–	22,711
Balance at 30 September 2009	23,640	5,987	32,680	5,299	109,591	177,197	–	177,197
Balance at 1 April 2010	23,640	5,987	32,680	5,762	93,046	161,115	–	161,115
Total comprehensive income for the period	–	–	–	1,541	17,855	19,396	(910)	18,486
Balance at 30 September 2010	**23,640**	**5,987**	**32,680**	**7,303**	**110,901**	**180,511**	**(910)**	**179,601**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash generated from/(used in) operating activities	**877**	(18,104)
Investing activities		
Purchase of property, plant and equipment	**(8,581)**	(7,799)
Other investing cash flows	**47**	58
Net cash used in investing activities	**(8,534)**	(7,741)
Financing activities		
Interest-bearing borrowings raised, net	**13,596**	23,227
Other financing cash flows	**(1,293)**	2,727
Net cash generated from financing activities	**12,303**	25,954
Net increase in cash and cash equivalents	**4,646**	109
Cash and cash equivalents at 1 April	**(7,911)**	(927)
Cash and cash equivalents at 30 September	**(3,265)**	(818)
Cash and cash equivalents at 30 September, represented by:		
Cash and cash equivalents	**723**	2,911
Bank overdrafts included in interest-bearing borrowings	**(3,988)**	(3,729)
	(3,265)	(818)

NOTES TO THE CONDENSED FINANCIAL INFORMATION

1. GENERAL

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

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

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

2. BASIS OF PRESENTATION

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

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

The unaudited condensed consolidated financial information has been prepared under the historical cost convention, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2010. The accounting policies and methods of computation adopted are consistent with those followed in preparation of the Group's annual financial statements for the year ended 31 March 2010, except for the accounting policy changes that are expected to be reflected in the Group's annual financial statements for the year ended 31 March 2011. Details of these changes in accounting policies are set out in note 3.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued two revised Hong Kong Financial Reporting Standards ("HKFRSs"), a number of amendments to HKFRSs and one new Interpretation 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 3 (Revised), Business combinations
- HKAS 27 (Revised), Consolidated and separate financial statements
- Improvements to HKFRSs (2009)

Except as described below, the adoption of these revisions, amendments and interpretations has had no significant effect on the condensed consolidated financial information for the periods presented.

HKAS 27 (Revised) requires any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests (previously known as minority interests) in proportion to their interests in that entity, even if this results in a deficit balance within the consolidated equity being attributable to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27 (Revised), this new accounting policy being applied prospectively and therefore amounts recorded in previous periods have not been restated.

3. CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

The Improvements to HKFRSs (2009) consist of further amendments to existing standards, including an amendment to HKAS 17, Leases. The amendment to HKAS 17 requires the land element of a property lease to be classified as a finance lease rather than an operating lease if it transfers substantially all the risks and rewards of ownership. Before amendment, HKAS 17 stated that the land element of a property lease would normally be classified as an operating lease unless title to the land was expected to pass to the leasee at the end of the lease term. On adoption of the amendment, the Group has assessed its property leases in Hong Kong and the People's Republic of China (the "PRC") and has reclassified the land element of its property leases in Hong Kong from operating leases to finance leases. In addition, the amortisation of the relevant prepaid land premiums has been reclassified to depreciation charge. The effect of the adoption of the amendment on the condensed consolidated balance sheet at 1 April 2010 is to increase property, plant and equipment by HK$3,578,000 with a corresponding reduction in prepaid land premiums. The depreciation charge for the six months ended 30 September 2010 has increased by HK$49,000 with a corresponding reduction in the amortisation charge of prepaid land premiums. As the adoption of the amendment applies retrospectively, it has also resulted in an increase in the depreciation charge for the six months ended 30 September 2009 of HK$38,000 and a corresponding reduction in the amortisation charge for that period. The condensed consolidated balance sheet at 31 March 2010 has been restated to reflect the reclassifications.

Up to the date of issue of this unaudited condensed consolidated financial information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ending 31 March 2011. 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 24 (Revised)	Related party disclosures	1 January 2011
Improvements to HKFRSs (2010)	Improvements to HKFRSs (including amendments to HKASs 1 and 34, HKFRSs 3 (Revised) and 7)	1 July 2010 or 1 January 2011

The Group is in the process of making an assessment of what the impact of these new amendments and new standards is expected to be in the period of initial application but is not yet in a position to determine whether the adoption of them will have a significant impact on the Group's results of operations and financial position.

4. SEGMENT REPORTING

The executive directors manage the Group's operations as a single business segment.

The Group's turnover for the six months ended 30 September 2010 by geographical market is as follows:

	Turnover Six months ended 30 September 2010 HK$'000 (unaudited)	2009 HK$'000 (unaudited)
United States of America	**194,019**	154,171
Europe	**27,333**	31,838
Asia	**7,642**	10,676
Australia	**606**	414
Others	**10,999**	4,811
	240,599	201,910

5. OTHER REVENUE AND NET INCOME

	Six months ended 30 September 2010 HK$'000 (unaudited)	2009 HK$'000 (unaudited)
Other revenue		
Discount received	**100**	213
Interest income	**128**	2
Reimbursement and rental income	**709**	545
Sales of scrap and unused raw materials	**33**	312
Sundry	**75**	441
	1,045	1,513
Other net income		
Exchange gains, net	**156**	–
Gain on disposal of property, plant and equipment	**46**	58
	202	58

6. PROFIT FROM OPERATIONS

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited) (Restated)
Profit from operations has been arrived at after charging:		
Amortisation of prepaid land premiums	**56**	56
Depreciation on property, plant and equipment	**12,891**	12,345
Provision for inventories	**817**	1,020

7. FINANCE COSTS

The finance costs represent interest on other short term loan, implied interest on financing the acquisition of property, plant and equipment, interest on borrowings from banks and other financial institutions wholly repayable within five years and charges on finance leases.

8. INCOME TAX

The charge represents deferred tax charge of approximately HK$1,600,000 (six months ended 30 September 2009: HK$1,220,000).

No provision for Hong Kong profits tax has been made (six months ended 30 September 2009: HK$ Nil) as the companies in the Group either have no assessable profits or have agreed tax losses brought forward in excess of the estimated assessable profit for the period.

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK$17,855,000 for the period (six months ended 30 September 2009: HK$21,525,000) and on 236,402,000 ordinary shares in issue (six months ended 30 September 2009: 236,402,000 ordinary shares in issue).

Diluted earnings per share is not presented as there were no potential dilutive ordinary shares in existence during the periods ended 30 September 2010 and 2009.

10. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2010 (six months ended 30 September 2009: HK$ Nil).

11. PROPERTY, PLANT AND EQUIPMENT

	HK$'000
Cost:	
At 1 April 2009	
as originally stated	322,850
adjustment on adoption of amendment to HKAS 17	3,866
as restated	326,716
Exchange adjustments	1,757
Additions	7,799
Disposals	(398)
At 30 September 2009 (Restated)	335,874
Accumulated depreciation and impairment:	
At 1 April 2009	
as originally stated	130,471
adjustment on adoption of amendment to HKAS 17	1,015
as restated	131,486
Exchange adjustments	892
Charge for the period	
as originally stated	12,307
adjustment on adoption of amendment to HKAS 17	38
as restated	12,345
Disposals	(398)
At 30 September 2009 (Restated)	144,325
Carrying amount:	
At 30 September 2009 (Restated)	191,549

11. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	HK$'000
Cost:	
At 1 April 2010	
as originally stated	335,264
adjustment on adoption of amendment to HKAS 17	4,690
as restated	339,954
Exchange adjustments	2,177
Additions	8,581
Disposals	(671)
At 30 September 2010	350,041
Accumulated depreciation and impairment:	
At 1 April 2010	
as originally stated	156,092
adjustment on adoption of amendment to HKAS 17	1,112
as restated	157,204
Exchange adjustments	1,212
Charge for the period	12,891
Disposals	(670)
At 30 September 2010	170,637
Carrying amount:	
At 30 September 2010	179,404
At 31 March 2010 (Restated)	182,750

During the six months ended 30 September 2010, the Group acquired property, plant and equipment at a cost of approximately HK$8,581,000 (six months ended 30 September 2009: HK$7,799,000).

At 30 September 2010, the carrying amounts of property, plant and equipment held under finance leases were HK$158,000 (31 March 2010: HK$2,550,000).

12. PREPAID LAND PREMIUMS

	HK$'000
Cost:	
At 1 April 2009	
as originally stated	9,418
adjustment on adoption of amendment to HKAS 17	(3,866)
as restated	5,552
Exchange adjustments	28
At 30 September 2009 (Restated)	5,580
Accumulated amortisation:	
At 1 April 2009	
as originally stated	1,893
adjustment on adoption of amendment to HKAS 17	(1,015)
as restated	878
Exchange adjustments	2
Charge for the period	
as originally stated	94
adjustment on adoption of amendment to HKAS 17	(38)
as restated	56
At 30 September 2009 (Restated)	936
Carrying amount:	
At 30 September 2009 (Restated)	4,644

12. PREPAID LAND PREMIUMS *(CONTINUED)*

	HK$'000
Cost:	
At 1 April 2010	
as originally stated	**10,277**
adjustment on adoption of amendment to HKAS 17	**(4,690)**
as restated	**5,587**
Exchange adjustments	**57**
At 30 September 2010	**5,644**
Accumulated amortisation:	
At 1 April 2010	
as originally stated	**2,105**
adjustment on adoption of amendment to HKAS 17	**(1,112)**
as restated	**993**
Exchange adjustments	**6**
Charge for the period	**56**
At 30 September 2010	**1,055**
Carrying amount:	
At 30 September 2010	**4,589**
At 31 March 2010 (Restated)	**4,594**

13. TRADE RECEIVABLES

	At 30 September 2010 *HK$'000* **(unaudited)**	At 31 March 2010 *HK$'000* (audited)
Trade receivables	**86,764**	32,627
Less: allowance for doubtful debts	**(15)**	(181)
	86,749	32,446

13. TRADE RECEIVABLES *(CONTINUED)*

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

	At 30 September 2010 *HK$'000* (unaudited)	At 31 March 2010 *HK$'000* (audited)
Current	**48,926**	13,411
Less than 1 month past due	**36,558**	6,979
1 to 3 months past due	**751**	7,303
More than 3 months past due	**514**	4,753
Amounts past due	**37,823**	19,035
	86,749	32,446

Individual credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables are due within 30 to 60 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.

14. TRADE PAYABLES

The following is an aging analysis of trade payables:

	At 30 September 2010 *HK$'000* (unaudited)	At 31 March 2010 *HK$'000* (audited)
0 – 30 days	**17,772**	11,821
31 – 60 days	**14,975**	3,272
61 – 90 days	**6,176**	1,000
Over 90 days	**854**	34
	39,777	16,127

15. PLEDGE OF ASSETS

At 30 September 2010, certain of the Group's machinery with a total carrying amount of HK$46,401,000 (31 March 2010: HK$54,761,000) and certain of the Group's leasehold properties in Hong Kong and Mainland China with a total carrying amount of HK$4,881,000 (31 March 2010: HK$4,950,000) and HK$64,301,000 (31 March 2010: HK$65,179,000), respectively, were pledged to secure the credit facilities utilised by the Group.

16. CAPITAL COMMITMENTS

Capital commitments outstanding at 30 September 2010 not provided for in the financial statements were as follows:

	At 30 September 2010 *HK$'000* (unaudited)	At 31 March 2010 *HK$'000* (audited)
Authorised and contracted for		
– acquisition of property, plant and equipment	**–**	689

17. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

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

	Six months ended 30 September	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Salaries, allowances and other benefits	**1,805**	1,785
Contributions to defined contributions retirement plan	**31**	31
	1,836	1,816

(b) Financing arrangements

At 30 September 2010, certain interest-bearing borrowings totalling HK$36,351,000 (31 March 2010: HK$39,696,000) were secured by personal guarantee from a director and by legal charges on certain leasehold properties owned by a director and companies controlled by that director.

(c) Other related party transactions

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

		Six months ended 30 September	
Name of related party	**Nature of transactions**	**2010**	2009
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Pak Tak (Kwong Tai) Knitting Factory Limited	Sub-contracting income	**–**	173
	Sales of goods	**1,746**	13,838
	Sample sales income	**–**	69
	Rental income	**300**	343
	Commission paid	**77**	93
	Overdue interest income	**126**	–
Estate of Cheng Chi Tai	Interest expenses	**–**	6

Balances with related parties are disclosed in the condensed consolidated balance sheet.

18. COMPARATIVE FIGURES

As a result of the application of the amendment to HKAS 17, Leases, certain comparative figures have been adjusted to conform to the current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2010. Further details of these developments are set out in note 3.