



Pak Tak International Limited
百德國際有限公司

Stock Code : 2668



INTERIM
REPORT

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REVIEW OF OPERATIONS

The board of directors (the “Directors”) of Pak Tak International Limited (the “Company”) has the pleasure of presenting the interim report and the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the six months ended 30 September 2011.

Turnover and gross profit

For the six months ended 30 September 2011, the Group’s turnover was HK\$241 million, being approximately at the same level as the corresponding period of the previous year. The similarity in the comparative turnover between the two periods, however, belies the fact that in 2011, the Group focused on producing more high-end knitwear products with complex designs and patterns and for which the Group charged a premium. With a product mix that focused on more high-end products, the Group’s average sales price increased by more than 10% in the period under review.

The Group’s cost of sales for the six months ended 30 September 2011 amounted to approximately HK\$195 million, representing a decrease of approximately 6% from HK\$207 million for the six months ended 30 September 2010. The better control over production cost, and the higher profit margin, reflected the higher sales price that the Group was able to command for its products. With the high-end products that the Group focused on during the period, the Group was able to counter-balance the rise in labor cost, the accelerated appreciation of the Renminbi against the US dollars, and the overall price surge in China resulting from inflation with higher prices. The result was that the Group can be able to improve its gross profit margin for the six months ended 30 September 2011 to 19% from 14% for the same period in 2010.

For the period under review, the Group’s major customers were located in US and accounted for approximately 80% of the Group’s total turnover. The customers in the Asian and European markets generated 16% of total turnover.

Profitability

The Group’s profitability for the six months ended 30 September 2011 was HK\$26 million. This represented an increase of 46% as compared to the corresponding period of last year. The increase is attributed primarily to the increase in gross margin.

In addition, other net income rose by approximately HK\$1 million as the Group received HK\$1 million from the associated company whose performance also improved in the period. The Group’s administrative expenses increased significantly by 17% over the previous corresponding period.

Selling expenses went down by 8% as the Group was able to renegotiate its sales commission term with one sales agent. Apart from the decrease in sales commission, the Group’s finance cost decreased by 28% mainly due to the decrease in average balance of interest-bearing borrowings.

Liquidity and Capital Resources

The cash and cash equivalents of the Group were approximately HK\$-3 million as at 30 September 2011, representing a decrease of approximately HK\$4 million as compared with the balance as at 31 March 2011. The decrease in liquidity balance at 30 September 2011 was a direct result of acquiring additional computerized knitting machines.

The Group principally satisfies its demand for operating capital with cash inflow from operations and credit facilities of over HK\$144 million (31 March 2011: HK\$137 million), out of which HK\$91 million (31 March 2011: HK\$41 million) has been utilized as at 30 September 2011. The credit facilities were partially secured by corporate guarantees given by the Company. The Directors believe that the Group will maintain a sound and stable financial position, with sufficient liquid capital and financial resources to satisfy its business needs.

Foreign Exchange Risks and Interest Rate Risk Management

The Group adopts strict and cautious policies in managing its exchange rate risk and interest rate risk. The sales of the Group 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. During the six months ended September 2011, 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 50%, 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 2011 (30 September 2010: HK\$ Nil).

Pledge of Assets

As at 30 September 2011, certain of the Group's machinery with a total carrying amount of HK\$30 million (31 March 2011: HK\$41 million) and certain of the Group's leasehold properties in Hong Kong and Mainland China with a total carrying amount of HK\$5 million (31 March 2011: HK\$5 million) and HK\$63 million (31 March 2011: HK\$63 million), respectively, were pledged to secure the credit facilities utilised by the Group.

Financial Guarantees Issued

At 30 September 2011, 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\$147 million (31 March 2011: HK\$128 million).

The guarantees were issued by the Company 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 2011, 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\$91 million (31 March 2011: HK\$40 million).

Capital Expenditures and Commitments

During the period under review, the Group had capital expenditures of approximately HK\$15 million (30 September 2010: HK\$9 million).

As at 30 September 2011, the Group had capital commitments in property, plant and equipment amounting to HK\$0.4 million (31 March 2011: HK\$6 million).

Employees and Remuneration Policies

As at 30 September 2011, the Group had a total of approximately 223 employees (30 September 2010: approximately 246 employees). The total staff cost of the Group amounted to approximately HK\$54 million during the period, representing 22% of the Group's turnover. 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

As the textile garment industry was faced with increasing pressure on operating costs, it is important that the Group continues to find means to upgrade its production facilities and improve its efficiency. Seeking to strengthen company competitiveness through innovation and reformation is now becoming the trend underlying the industry development.

In its future development, the Group will continue to adopt effective measures to strengthen internal management to control its operating costs for higher economic benefits. Added value of products will be increased through continuing improvement of product quality and implementation of Group's new design concepts to its products.

DIRECTORS

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

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

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

DIRECTORS' INTERESTS IN SECURITIES

At 30 September 2011, 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 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 <i>(Note)</i>	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

At 30 September 2011, 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.
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 30 September 2011.

As at 30 September 2011, so far as known to any Director or chief executive 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 30 September 2011.

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 2011.

CORPORATE GOVERNANCE REPORT

The Directors are pleased to report that throughout the six months period ended 30 September 2011, 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 for the six months ended 30 September 2011.

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 2011.

The interim results for the six months ended 30 September 2011 have been reviewed by the Company's auditors.

On behalf of the Board

Victor Robert Lew

Chairman

Hong Kong, 24 November 2011



BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS

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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 11 to 20 which comprises the condensed consolidated balance sheet of Pak Tak International Limited as at 30 September 2011 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flows statement 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, Interim Financial Reporting.

BAKER TILLY HONG KONG LIMITED

Certified Public Accountants

Hong Kong, 24 November 2011

Chan Kwan Ho, Edmond

Practising certificate number P02092

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Note	Six months ended 30 September	
		2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Turnover	4	240,906	240,599
Cost of sales		(194,834)	(206,842)
Gross profit		46,072	33,757
Other revenue	6	819	1,045
Other net income	6	1,239	202
Administrative expenses		(13,950)	(11,920)
Selling expenses		(5,188)	(5,638)
Profit from operations	7	28,992	17,446
Finance costs	8	(892)	(1,236)
Share of profit of an associate		241	2,999
Profit before taxation		28,341	19,209
Income tax	9	(2,600)	(1,600)
Profit for the period		25,741	17,609
Attributable to:			
Equity shareholders of the Company		26,047	17,855
Non-controlling interests		(306)	(246)
		25,741	17,609
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	10	11	8

The accompanying notes form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Six months ended	
	30 September	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period	25,741	17,609
Other comprehensive income for the period:		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	219	1,083
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	25,960	18,486
Attributable to:		
Equity shareholders of the Company	26,036	19,396
Non-controlling interests	(76)	(910)
	25,960	18,486

The accompanying notes form part of this interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2011

	<i>Note</i>	At 30 September 2011 <i>HK\$'000</i> (unaudited)	At 31 March 2011 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	12	170,716	168,464
Interests in leasehold land held under operating leases		4,610	4,597
Investment properties		4,013	4,093
Interest in an associate		241	–
		<u>179,580</u>	<u>177,154</u>
Current assets			
Inventories		53,621	29,414
Trade receivables	13	102,389	24,468
Other receivables, prepayments and deposits		12,151	10,154
Amount due from an associate		–	362
Cash and cash equivalents		758	2,469
		<u>168,919</u>	<u>66,867</u>
Current liabilities			
Trade payables	14	31,728	13,527
Bills payable		2,853	4,119
Other payables and accrued charges		17,253	9,723
Amounts due to holders of non-controlling interests in a subsidiary		3,669	3,741
Interest-bearing borrowings		90,986	40,421
Obligations under finance leases		58	58
		<u>146,547</u>	<u>71,589</u>
Net current assets/(liabilities)		<u>22,372</u>	<u>(4,722)</u>
Total assets less current liabilities		<u>201,952</u>	<u>172,432</u>
Non-current liabilities			
Obligations under finance leases		48	77
Deferred tax liabilities		5,623	3,023
Provision and other accrued charges		7,768	6,779
		<u>13,439</u>	<u>9,879</u>
NET ASSETS		<u>188,513</u>	<u>162,553</u>
Capital and reserves			
Share capital		23,640	23,640
Reserves		166,100	140,064
Total equity attributable to equity shareholders of the Company		189,740	163,704
Non-controlling interests		(1,227)	(1,151)
TOTAL EQUITY		<u>188,513</u>	<u>162,553</u>

The accompanying notes form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Attributable to equity shareholders of the Company						Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
Balance at 1 April 2010 (audited)	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 (unaudited)	<u>23,640</u>	<u>5,987</u>	<u>32,680</u>	<u>7,303</u>	<u>110,901</u>	<u>180,511</u>	<u>(910)</u>	<u>179,601</u>
Balance at 1 April 2011 (audited)	23,640	5,987	32,680	7,525	93,872	163,704	(1,151)	162,553
Total comprehensive income for the period	-	-	-	(11)	26,047	26,036	(76)	25,960
Balance at 30 September 2011 (unaudited)	<u>23,640</u>	<u>5,987</u>	<u>32,680</u>	<u>7,514</u>	<u>119,919</u>	<u>189,740</u>	<u>(1,227)</u>	<u>188,513</u>

The accompanying notes form part of this interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Six months ended 30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash (used in)/generated from operating activities	(36,024)	877
Investing activities		
Purchase of property, plant and equipment	(15,331)	(8,581)
Other investing cash flows	-	47
Net cash used in investing activities	(15,331)	(8,534)
Financing activities		
Interest-bearing borrowings raised, net	48,494	13,596
Other financing cash flows	(921)	(1,293)
Net cash generated from financing activities	47,573	12,303
Net (decrease)/increase in cash and cash equivalents	(3,782)	4,646
Cash and cash equivalents at 1 April	629	(7,911)
Cash and cash equivalents at 30 September	(3,153)	(3,265)
Cash and cash equivalents at 30 September, represented by:		
Cash and cash equivalents in the condensed consolidated balance sheet	758	723
Bank overdrafts included in interest-bearing borrowings	(3,911)	(3,988)
	(3,153)	(3,265)

The accompanying notes form part of this interim financial information.

NOTES TO THE INTERIM 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 interim financial information has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard 34 ("HKAS 34"), Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim 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 2011. 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 2011, 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 2012. Details of these changes in accounting policies are set out in note 3.

The preparation of interim 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.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group. The adoption of these amendments to HKFRSs and new interpretation did not result in significant changes to the Group's accounting policies applied in this interim financial information for the periods presented.

The Group has not applied any new standard or amendment that is not yet effective for the current accounting period.

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 2011 by geographical market is as follows:

	Six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
United States of America	193,927	194,019
Europe	26,176	27,333
Asia	13,052	7,642
Australia	1,760	606
Others	5,991	10,999
	240,906	240,599

5. SEASONALITY OF OPERATIONS

The Group normally experiences higher demands in the first half of the year and, as a result, reports higher revenue and results in the first half of the year.

6. OTHER REVENUE AND NET INCOME

	Six months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other revenue		
Discount received	79	100
Interest income from associates	147	126
Other interest income	4	2
Reimbursement income	375	709
Sales of scrap and unused raw materials	8	33
Sundry	206	75
	819	1,045
Other net income		
Exchange gains, net	323	156
Gain on disposal of property, plant and equipment	-	46
Reversal of impairment loss on amount due from an associate	916	-
	1,239	202

7. PROFIT FROM OPERATIONS

	Six months ended	
	30 September	2010
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)

Profit from operations has been arrived at after charging:

Amortisation of interests in leasehold land held under operating leases	58	56
Depreciation on property, plant and equipment	13,127	12,891
Provision for inventories	-	817
	-	817

8. FINANCE COSTS

The finance costs represent 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.

9. INCOME TAX

The charge represents deferred tax charge of HK\$2,600,000 (six months ended 30 September 2010: HK\$1,600,000).

No provision for Hong Kong profits tax has been made for both periods as the companies in the Group either have no assessable profits or have tax losses brought forward in excess of the estimated assessable profit for the period.

10. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$26,047,000 for the period (six months ended 30 September 2010: HK\$17,855,000) and 236,402,000 (six months ended 30 September 2010: 236,402,000) ordinary shares in issue.

The diluted earnings per share for the periods ended 30 September 2011 and 2010 was the same as the basic earnings per share as there were no potential dilutive ordinary shares in existence for both periods.

11. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2011 (six months ended 30 September 2010: HK\$ Nil).

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2011, the Group acquired property, plant and equipment at a cost of HK\$15,331,000 (six months ended 30 September 2010: HK\$8,581,000).

At 30 September 2011, the carrying amount of a motor vehicle held under finance leases is HK\$72,000 (31 March 2011: HK\$115,000).

13. TRADE RECEIVABLES

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

	At 30 September 2011 HK\$'000 (unaudited)	At 31 March 2011 HK\$'000 (audited)
Current	87,367	21,986
Less than 1 month past due	13,149	1,856
1 to 3 months past due	1,859	464
More than 3 months past due	14	162
	15,022	2,482
Amounts past due	15,022	2,482
	102,389	24,468

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 2011 HK\$'000 (unaudited)	At 31 March 2011 HK\$'000 (audited)
Due within 1 month or on demand	22,271	10,106
Due after 1 month but within 3 months	7,854	2,717
Due after 3 months but within 12 months	1,603	704
	31,728	13,527

15. PLEDGE OF ASSETS

At 30 September 2011, certain of the Group's machinery with a total carrying amount of HK\$29,718,000 (31 March 2011: HK\$41,128,000) and certain of the Group's leasehold properties in Hong Kong and Mainland China with a total carrying amount of HK\$4,743,000 (31 March 2011: HK\$4,812,000) and HK\$62,546,000 (31 March 2011: HK\$63,424,000), respectively, were pledged to secure the credit facilities utilised by the Group.

16. CAPITAL COMMITMENTS

Capital commitments outstanding at 30 September 2011 not provided for in the interim financial information were as follows:

	At 30 September 2011 HK\$'000 (unaudited)	At 31 March 2011 HK\$'000 (audited)
Authorised and contracted for		
– acquisition of property, plant and equipment	<u>439</u>	<u>5,596</u>

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 2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Salaries, allowances and other benefits	2,030	1,805
Contributions to defined contributions retirement plan	<u>31</u>	<u>31</u>
	<u>2,061</u>	<u>1,836</u>

(b) Financing arrangements

At 30 September 2011, certain interest-bearing borrowings totalling HK\$44,163,000 (31 March 2011: HK\$16,705,000) 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:

Name of related party	Nature of transactions	Six months ended 30 September 2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Pak Tak (Kwong Tai)	Sales of goods	–	1,746
Knitting Factory	Sample sales income	14	–
Limited	Rental income	55	300
	Commission paid	80	77
	Overdue interest income	147	126
	Reversal of impairment		
	loss on amount due	916	–
	Purchase of a leasehold		
	property	<u>1,800</u>	<u>–</u>

Balance with a related party is disclosed in the condensed consolidated balance sheet.