Pak Tak International Limited

百 德 國 際 有 限 公 司

Stock Code: 2668

Annual Report 2012

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 of the Board)*

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, FCPA, 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
2nd Floor, 625 King's Road
North Point
Hong Kong

CORPORATE GOVERNANCE COMMITTEE

Mr. Victor Robert Lew *(Chairman)*
Mr. Cheng Kwai Chun, John
Mr. Chow Chan Lum
Ms. Ko Hay Yin, Karen
Ms. Ho Man Yee, Esther
Mr. Yuen Chi King, Wyman

NOMINATION COMMITTEE

Ms. Ko Hay Yin, Karen
Mr. Chow Chan Lum
Ms. Ho Man Yee, Esther *(Chairman)*
Mr. Cheng Kwai Chun, John
Mr. Yuen Chi King, Wyman
Mr. Victor Robert Lew

REMUNERATION COMMITTEE

Ms. Ko Hay Yin, Karen
Mr. Chow Chan Lum *(Chairman)*
Ms. Ho Man Yee, Esther
Mr. Cheng Kwai Chun, John
Mr. Yuen Chi King, Wyman
Mr. Victor Robert Lew

AUDIT COMMITTEE

Ms. Ko Hay Yin, Karen
Mr. Chow Chan Lum *(Chairman)*
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
The Hong Kong and Shanghai Banking Corporation 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
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

WEBSITE

www.paktak.com

DEAR SHAREHOLDERS

On behalf of the board of directors (the "**Directors**") of Pak Tak International Limited (the "**Company**"), I am pleased to present the annual results of the Company and its subsidiaries (together the "**Group**") for the financial year ended 31 March 2012.

BUSINESS REVIEW

The Directors are pleased to report that for the year ended 31 March 2012 the Group has maintained its steady growth path and increased its turnover. Further, as a reflection of the Group's cost control measures, the net profit has also improved, resulting in a net profit of the year of HK$9.639 million.

The Group recorded a turnover of approximately HK$397 million for the year ended 31 March 2012, representing an increase of 2% over the previous year. This growth in turnover is in line with the Group's policy of controlled growth. Over the years the Group has maintained the policy of manufacturing high quality and well made products while selling its goods at a premium value. The Group feels that in light of the modest growth in the economy of the U.S., the largest market for the Group's products, the Group's policy of controlled growth has been one of the prime reasons to enable the Group to maintain its current position as a manufacturing company with sustainable strength to meet the uncertainties facing the global economies.

Over the course of the recent years, the Group's strategies of focusing on manufacturing premium products and automating its production means have proven to be the correct approach to operate in the current environment of continuing modest economic growth in the U.S., weak retail markets, and relentless cost increase in China. The changing economic structure in China, where labor cost continues to rise but labor supply continues to shift away from the southern China region, has made it a necessity for the Group to further automate its product means, to control costs, and to improve its efficiency. The Group has proven itself successful in meeting these challenges in the year ended 31 March 2012, and succeeded in achieving the profitability of HK$9.639 million.

For the Group to continue achieving positive results, the board of Directors (the "**Board**") has found it necessary to explore other opportunities of growth, including expanding its markets beyond the U.S. As the Group has demonstrated its strength in these recent years after the financial crisis of 2008, the Group has the capability of focusing on its core competence while only diverting to new projects where the projects meet with the Group's overall strategic policy imperatives. The Group believes that while short-term global economic weaknesses may introduce new challenges to its turnover and profitability, over the long run, the Group's position as a sound company with manufacturing strength will enable it to overcome short-term economic set backs in the global economies.

RESULT HIGHLIGHTS

The highlights of the results for the year ended 31 March 2012:

- Turnover increased by 2% to HK$397 million from HK$391 million for the year ended 31 March 2011;
- Net profit for the year was HK$9.639 million, as compared to net profit of HK$0.472 million for the year ended 31 March 2011;
- Earnings per share for the year were HK4.32 cents, as compared to HK0.35 cents for the year ended 31 March 2011;
- The Group's net current assets at 31 March 2012 was HK$25.7 million, as compared to net current liabilities of HK$4.7 million at 31 March 2011, representing a current ratio of 1.47 (2011: 0.93).

LOOKING FORWARD

While economic data point to weakening global economies, especially in developed countries, the Group believes that the course that it has chosen in recent years would be effective to enable the Group to weather the downturn if it materializes. The Group believes that its strategies of controlled growth, and of emphasizing on selecting only good customers who appreciate the Group's quality by paying premium prices, must continue as it is a policy that is critical to the Group's ability to survive in the current economic time.

CHAIRMAN'S STATEMENT

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, 27 June 2012

ANALYSIS OF RESULTS

Turnover

In the year ended 31 March 2012, the Group's turnover grew by 2% as compared to the previous year from HK$391 million to HK$397 million. This modest increase resulted from the Group's slight change in customer base as the Group's sales are made to customers looking for high-end knitwear products, and willing to pay premium prices. The Group's market position as a premium product manufacturer is now more and more reflected in its product mix that is made up of a large portion of high-end knitwear products.

Gross profit increased by 22% from HK$37 million to HK$45 million for the year ended 31 March 2012. The increase in gross profit reflects the Group's success in cost control and managing its gross margin. One of the main reasons for the improvement in gross profit is that as the depreciation charges on the automated machineries that the Group brought many years ago begin to phase out, the Group's profitability improves.

For the year under review, the Group's major market remained to be the U.S., accounting for approximately 84% of the Group's total turnover. On the back of sales to one customer that had directed the Group's sales to various countries in the Asian region, the Group's sales in Asia improved to HK$18 million, representing 5% of total turnover. The Group's sales to European customers represented about 8% of the total turnover of the Group in the year ended 31 March 2012.

Profitability

The Group's profitability for the year ended 31 March 2012 was HK$9.639 million. This represents an increase of 1,942% as compared to the profit of HK$0.472 million achieved in the year ended 31 March 2011. The primary reason for the increase in profitability was the increase in gross profit. The increase in gross profit by about 22% contributed fully to the net profit of the Group.

Further, as the Group's associated company was able to pay off a loan to the Group that had previously been written off, the repayment contributed about HK$2 million to other income.

During the year, the Group has received approval from the Dongguan authorities to convert the Group's processing plant in Dongguan into a factory owned under a foreign investment enterprise owned wholly by the Group. In connection with this, the Group has made provisions amounting to about HK$9 million in order to discharge expenses that may arise, including labor retrenchment costs at the factory. The increase has been partly offset by the lower selling expenses in the year, as the commission that the Group incurred to generate sales from various customers was reduced from over HK$9.6 million in the year ended 31 March 2011 to HK$5 million in the current year. The drop in commission was due to the Group reducing sales to two import/export agents that had demanded high commission on the sales that they brought to the Group.

The Group's finance cost has also reduced given the improvement in the Group's financial position and the repayment of certain bank loans; finance cost was reduced by 33% to HK$1.4 million from HK$2.1 million for the prior year.

LIQUIDITY AND CAPITAL RESOURCES

The cash and cash equivalent of the Group were approximately HK$-0.93 million as at 31 March 2012, representing a decrease of approximately HK$1.56 million as compared with the balance as at 31 March 2011. During the year, the Group was able to reduce bank loans in the amount of HK$18 million.

The Group principally satisfies its demand for operating capital with cash inflow from operation and credit facilities of over HK$115 million (2011: HK$137 million), out of which HK$22 million has been utilized as at 31 March 2012. 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.

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. During the year ended 31 March 2012, the rise in Renminbi against the U.S. dollars and HK dollars has slowed down, as the rise over the year was only 4%. The slower rise has reduced the pressure on the Group's profitability. Nevertheless, recognizing that there is continuing call for the Renminbi to go up further, management will consider hedging significant foreign currency exposure should the need arise.

The Directors are of the opinion that the Group is not subject to any significant interest rate risk even though the interest-bearing borrowings of the Group, denominated in Hong Kong dollars, are on the floating rate basis. As the Group has reduced its debt exposure by about 50%, its exposure to interest rate risk has also diminished considerably. As the Group operates at the debt to equity ratio of 13%, 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 2012 (2011: HK$nil).

CHARGE ON GROUP ASSETS

At 31 March 2012, certain of the Group's interest-bearing borrowings were secured by pledge of the Group's machinery with a total carrying amount of HK$13 million (2011: HK$41 million), the Group's leasehold properties in Hong Kong and Mainland China with a total carrying amount of HK$4.7 million (2011: HK$4.8 million) and HK$62 million (2011: HK$63 million), respectively.

FINANCIAL GUARANTEES ISSUED

At 31 March 2012, the Company had issued corporate guarantees to banks and other financial institutions in connection with facilities granted to certain subsidiaries amounting to HK$119 million (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 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 2012, 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$22 million (2011: HK$40 million).

CAPITAL EXPENDITURES AND COMMITMENTS

During the period, the Group invested approximately HK$17 million (2011: HK$9.8 million) in property, plant and equipment, of which 76% (2011: 83%) was used for purchase of machinery.

As at 31 March 2012, the Group had capital commitments of approximately HK$4.2 million (2011: HK$5.6 million) in property, plant and equipment.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2012, the Group had a total of approximately 187 employees. The total staff cost of the Group amounted to approximately HK$103 million during the period, representing 26% of the Group's turnover. Salaries, wages and allowances amounted to approximately HK$93 million, representing an increase of 3% as compared to previous year. 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

The Group expects that 2012 will be another year in which the Group would approach its growth and development cautiously. With the economies of the developed countries barely growing, and with the Chinese economy also slowing down precipitously, the Group feels that it must continue its policy of prudence in managing its growth and development. Although one of the biggest challenges that the Group has faced in recent years, being the appreciation of the Chinese yuan, has become milder in 2011, labor shortages and rising commodity prices in China continue to have a significant impact on the efficient operation and cost control. The Group's management feels that the pressure on the Group to monitor and control its production and costs continues unabated.

The Group, however, will explore all business opportunities that may be available to it. To ensure its future success, the Group would utilize its expertise and experience in the manufacturing industry to expand and diversify its business as and when opportunities present themselves.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. CHENG Kwai Chun, John, aged 40, is the Chief Executive Officer of the Company. He obtained a Bachelor degree in science from the University of New South Wales, Australia, and a Master degree in Finance from the RMIT University, Australia. Mr. Cheng is 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 53, 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 has over 30 years of experience in knitwear and garment manufacturing, and particularly in hand-knitted garments.

Mr. LIN Wing Chau, aged 55, 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 56, is the Chairman of the Board. Mr. Lew is also an independent non-executive director and the chairman of the audit committee of Pacific Andes International Holdings Limited, a company 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. Mr. Lew resigned as an independent non-executive director, chairman of the audit committee, member of the remuneration committee and member of the nomination committee of Sincere Watch (Hong Kong) Limited with effect from 19 June 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. KO Hay Yin, Karen, aged 59, 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 61, is the 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 the Hong Kong Institute of Certified Public Accountants including the Deputy Chairman of Auditing & Assurance Standards Committee, and a member 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 Maoye International Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited. Mr. Chow resigned as an independent non-executive director and chairman of the audit committee of China Aerospace International Holdings Limited with effect from 26 March 2012.

Ms. HO Man Yee, Esther, aged 39, 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.

Mr. YUEN Chi King, Wyman, aged 38, 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 51, 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 a fellow 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 16 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 43, is responsible for handling all external corporate communications, public affairs and media interviews. Ms. Ip joined the Group in 1998 and has over 10 years of experience in corporate communication.

Ms. POON Kam Ping, aged 44, 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 55, 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 consolidated financial statements of the Group for the year ended 31 March 2012.

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 an associate are set out in notes 15 and 16 respectively to the consolidated financial statements.

There were no significant changes in the nature of the Group's principal activities during the year ended 31 March 2012.

SEGMENT INFORMATION

The segment information of the Group for the year ended 31 March 2012 is set out in note 11 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2012, the five largest customers of the Group together accounted for approximately 91% of the Group's total turnover, with the largest customer accounted for approximately 30% of the Group's total turnover. The aggregate purchases attributable to the Group's five largest suppliers was approximately 31% of the total purchase of the Group for the year ended 31 March 2012, 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 2012 are set out in the consolidated income statement on page 21 of this Annual Report.

FINANCIAL SUMMARY

A financial summary of the Group for the past five financial years is set out on page 68 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 25 of this Annual Report.

BORROWINGS

The Group had interest-bearing borrowings and obligations under finance leases totaling HK$22 million at 31 March 2012.

CHARITABLE DONATIONS

No charitable donations were made by the Group for the year ended 31 March 2012.

PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 March 2012, the Group's additions to property, plant and equipment amounted to HK$17 million.

Movements in the property, plant and equipment of the Group for the year ended 31 March 2012 are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

Details in the share capital of the Company are set out in note 26 to the consolidated financial statements.

DIRECTORS

The Directors during the year and up to the date of this 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

Each executive Director has entered into continuous service contract with the Company and each non-executive Director (including independent non-executive Director) is appointed for a fixed term. All the Directors are 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 Chick Kwan, Ms. Ko Hay Yin, Karen and Mr. Yuen Chi King, Wyman 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 2012, 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 23 August 2011 for the primary purpose of granting options to eligible participants as incentives or rewards for their contribution to the Group and will be valid and effective for a period of 10 years commencing on the date on which the Scheme was adopted. Under the Scheme, the Directors may grant options to eligible employees of the Group, any executive and non-executive director (including independent non-executive director) of the Group and other eligible participants to subscribe for shares in the Company (the "**Shares**"), at a price to be determined by the Directors, but shall not be less than the higher of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

An offer of the grant of the option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Scheme for the holding of an option before it can be exercised. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

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 23,640,200 shares of the Company, being 10% of the shares in issue on the date of approval of the Scheme by the shareholders of the Company.

Unless approved by shareholders of the Company, the total number of Shares issued and which may fall to be issued upon exercise of the options to be granted under the Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

No options under the Scheme were granted or exercised during the year and there were no outstanding options at 31 March 2012.

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 31 to the consolidated financial statements. These related party transactions did not constitute connected transactions or continuing 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 ended 31 March 2012.

COMPETING INTERESTS

At 31 March 2012, 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 during the year.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2012, 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 2012.

As at 31 March 2012, 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 2012.

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, 27 June 2012

The Directors are pleased to report that throughout the year ended 31 March 2012, the Company was in compliance with the code provisions of the Corporate Governance Code 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 and committees of the Board;
- the remuneration of Directors and senior management;
- accountability and audit;
- delegation by the Board;
- communication with shareholders; and
- requirements for company secretary,

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 2012.

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 the Corporate Governance Committee 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 meetings 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 of the Board 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 the aforesaid, the Directors are not otherwise related to each other.

On 30 April 2012, all the Directors attended a seminar titled "Regulatory Up-date: CGC" to provide them with training in relation to the 2012 Listing Rules amendments.

The remuneration paid to each senior management (whose details are disclosed on page 9 of this Annual Report) during the year ended 31 March 2012 was within HK$1 million.

DIRECTOR'S ATTENDANCE AT BOARD MEETINGS, COMMITTEE MEETINGS AND SHAREHOLDERS MEETINGS

Director	Board	Audit	Remuneration	Nomination	Corporate Governance *(Note 3)*	General Meeting *(Note 4)*
Mr. Cheng Kwai Chun, John *(executive director, Chief Executive Officer)*	4/4	N/A *(Note 1)*	1/1	2/2	1/1	1/1
Mr. Lin Chick Kwan *(executive director)*	3/4	N/A	N/A	N/A	N/A	0/1
Mr. Lin Wing Chau *(executive director)*	3/4	N/A	N/A	N/A	N/A	0/1
Mr. Victor Robert Lew *(non-executive director, Chairman of the Board)*	4/4	N/A *(Note 2)*	N/A *(Note 2)*	N/A *(Note 2)*	1/1	1/1
Ms. Ko Hay Yin, Karen *(independent non-executive director)*	2/4	2/3	0/1	1/2	1/1	1/1
Mr. Chow Chan Lum *(independent non-executive director)*	3/4	2/3	1/1	2/2	1/1	1/1
Ms. Ho Man Yee, Esther *(independent non-executive director)*	2/4	3/3	1/1	1/2	1/1	0/1
Mr. Yuen Chi King, Wyman *(independent non-executive director)*	2/4	3/3	1/1	2/2	1/1	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 of the Board, was invited to attend the meetings of the Audit Committee, Remuneration Committee and Nomination Committee held during the year. Mr. Victor Robert Lew was appointed member of the Nomination Committee, Remuneration Committee and Corporate Governance Committee on 9 January 2012.
3. The Corporate Governance Committee was formed on 9 January 2012 and the Committee met on 22 June 2012.
4. The general meeting refers to the annual general meeting held on 23 August 2011.

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. The majority members of the Nomination 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) (Chairman)*
Mr. Yuen Chi King, Wyman *(independent non-executive Director)*
Mr. Cheng Kwai Chun, John *(executive Director)*
Mr. Victor Robert Lew *(non-executive Director) (appointed on 9 January 2012)*

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 Chick Kwan, Mr. Yuen Chi King, Wyman 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.

The Nomination Committee met on 24 June, 2011 and 9 January, 2012 during the year ended 31 March 2012.

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) (Chairman)*
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)*
Mr. Victor Robert Lew *(non-executive Director) (appointed on 9 January 2012)*

The Remuneration Committee is charged with the responsibility of making recommendations to the Board on the specific remuneration packages of all Directors and senior management, including benefits-in-kind, pension rights, and compensation payments. 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 9 January 2012 during the year ended 31 March 2012.

Corporate Governance Committee

The Corporate Governance Committee was formed on 9 January 2012. The majority members of the Corporate Governance Committee consists of independent non-executive Directors and its members are:

Mr. Victor Robert Lew *(non-executive Director) (Chairman)*
Mr. Cheng Kwai Chun, John *(executive Director)*
Mr. Chow Chan Lum *(independent non-executive Director)*
Ms. Ko Hay Yin, Karen *(independent non-executive Director)*
Ms. Ho Man Yee, Esther *(independent non-executive Director)*
Mr. Yuen Chi King, Wyman *(independent non-executive Director)*

The Corporate Governance Committee is charged with the responsibilities of, among others, (i) developing and reviewing the Company's corporate governance ("CG") vision, strategy, framework, principles and policies, and making relevant recommendations to the Board, and implementing the CG policies laid down by the Board; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices to ensure compliance with legal and regulatory requirements; and (iv) reviewing the Company's compliance with the Corporate Governance Code of the Listing Rules and other related rules.

The Corporate Governance Committee met on 22 June 2012 to review the corporate governance practices of the Group and approve this corporate governance report.

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) (Chairman)*
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 2012.

The amount of audit fee for the year ended 31 March 2012 was HK$520,000 (2011: HK$520,000). The amount of non-audit fee paid to the auditors of the Company for the year ended 31 March 2012 in relation to their review of the interim financial information was HK$139,000 (2011: HK$145,000) which was classified as administrative expenses. 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.

COMPANY SECRETARY

The Company Secretary is not an employee of the Company and the financial controller of the Company is her primary contact person in the Company.

During the year ended 31 March 2012, the Company Secretary had not yet taken any professional training for the purposes of rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHT AND INVESTOR RELATIONS

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. For details of procedures for putting forward proposals or nominating director at general meetings, please refer to the information disclosed on the website of the Company.

The Company had not effected any significant change in its constitutional documents during the year ended 31 March 2012.

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
天職香港會計師事務所有限公司
2nd Floor, 625 King's Road
North Point, Hong Kong
香港北角英皇道625號2樓

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 (the "Company") and its subsidiaries (together the "Group") set out on pages 21 to 67, which comprise the consolidated and company balance sheets as at 31 March 2012, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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 and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated 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 affairs of the Company and of the Group as at 31 March 2012 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, 27 June 2012

Chan Kwan Ho, Edmond
Practising certificate number P02092

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Turnover	4	**397,048**	391,275
Cost of sales		**(351,661)**	(354,155)
Gross profit		**45,387**	37,120
Other revenue	5	**1,834**	2,597
Other net gain/(loss)	5	**2,843**	(7)
Administrative expenses		**(28,340)**	(23,135)
Selling expenses		**(7,381)**	(11,812)
Profit from operations		**14,343**	4,763
Finance costs	6(a)	**(1,413)**	(2,055)
Share of loss of an associate	16	**–**	(1,780)
Profit before taxation	6	**12,930**	928
Income tax expense	7	**(3,291)**	(456)
Profit for the year		**9,639**	472
Attributable to:			
Equity shareholders of the Company		**10,210**	826
Non-controlling interests		**(571)**	(354)
		9,639	472
		HK cents	*HK cents*
Earnings per share			
– Basic and diluted	10	**4.32**	0.35

The notes on pages 27 to 67 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	2012 *HK$'000*	2011 *HK$'000*
Profit for the year	**9,639**	472
Other comprehensive income for the year:		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	**(218)**	1,172
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 year	**9,421**	1,438
Attributable to:		
Equity shareholders of the Company	**9,813**	2,589
Non-controlling interests	**(392)**	(1,151)
	9,421	1,438

The notes on pages 27 to 67 form part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

At 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	12	**158,737**	168,464
Interests in leasehold land held for own use under operating leases	13	**4,579**	4,597
Investment properties	14	**4,029**	4,093
Interest in an associate	16	**–**	–
		167,345	177,154
Current assets			
Inventories	17	**37,503**	29,414
Trade receivables	18	**35,370**	24,468
Other receivables, prepayments and deposits		**7,387**	10,154
Amount due from an associate	16	**–**	362
Cash and cash equivalents	19	**494**	2,469
		80,754	66,867
Current liabilities			
Trade payables	20	**15,080**	13,527
Bills payable		**69**	4,119
Other payables and accrued charges		**13,271**	9,723
Amounts due to holders of non-controlling interests in a subsidiary	21	**3,683**	3,741
Interest-bearing borrowings	22	**22,153**	40,421
Obligations under finance leases	23	**58**	58
Tax payable	24(a)	**691**	–
		55,005	71,589
Net current assets/(liabilities)		**25,749**	(4,722)
Total assets less current liabilities		**193,094**	172,432
Non-current liabilities			
Obligations under finance leases	23	**19**	77
Deferred tax liabilities	24(b)	**5,623**	3,023
Provision and other accrued charges	25	**15,478**	6,779
		21,120	9,879
NET ASSETS		**171,974**	162,553
CAPITAL AND RESERVES			
Share capital	26(c)	**23,640**	23,640
Reserves		**149,877**	140,064
Total equity attributable to equity shareholders of the Company		**173,517**	163,704
Non-controlling interests		**(1,543)**	(1,151)
TOTAL EQUITY		**171,974**	162,553

Approved and authorised for issue by the board of directors on 27 June 2012.

Victor Robert Lew
DIRECTOR

Cheng Kwai Chun, John
DIRECTOR

The notes on pages 27 to 67 form part of the consolidated financial statements.

BALANCE SHEET

At 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Investments in subsidiaries	15	**113,303**	113,303
Current assets			
Other receivables, prepayments and deposits		**248**	191
Amounts due from subsidiaries	15	**30,125**	30,321
Cash and cash equivalents		**1**	1
		30,374	30,513
Current liabilities			
Accrued charges		**476**	469
Amount due to a subsidiary	15	**24**	24
		500	493
Net current assets		**29,874**	30,020
NET ASSETS		**143,177**	143,323
CAPITAL AND RESERVES	26		
Share capital		**23,640**	23,640
Reserves		**119,537**	119,683
TOTAL EQUITY		**143,177**	143,323

Approved and authorised for issue by the board of directors on 27 June 2012.

Victor Robert Lew
DIRECTOR

Cheng Kwai Chun, John
DIRECTOR

The notes on pages 27 to 67 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Attributable to equity 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*
At 1 April 2010	23,640	5,987	32,680	5,762	93,046	161,115	–	161,115
Changes in equity for 2011:								
Total comprehensive income for the year	–	–	–	1,763	826	2,589	(1,151)	1,438
At 31 March 2011	23,640	5,987	32,680	7,525	93,872	163,704	(1,151)	162,553
At 1 April 2011	23,640	5,987	32,680	7,525	93,872	163,704	(1,151)	162,553
Changes in equity for 2012:								
Total comprehensive income for the year	–	–	–	(397)	10,210	9,813	(392)	9,421
At 31 March 2012	**23,640**	**5,987**	**32,680**	**7,128**	**104,082**	**173,517**	**(1,543)**	**171,974**

The notes on pages 27 to 67 form part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Operating activities			
Profit from operations		**14,343**	4,763
Adjustments for:			
– Gain on disposal of property, plant and equipment	5	**(109)**	(72)
– Interest income	5	**(66)**	(6)
– Interest income from an associate	5	**(257)**	(375)
– Reversal of impairment loss on amount due from an associate	5	**(2,154)**	–
– Amortisation of interests in leasehold land held under operating leases	6(c)	**116**	114
– Depreciation on property, plant and equipment	6(c)	**26,594**	25,374
– Provision for inventories	6(c)	**–**	1,633
– Provision for long service payments	6(b), 25(a)	**197**	251
– Exchange realignment		**(521)**	(300)
Operating profit before changes in working capital		**38,143**	31,382
Increase in inventories		**(8,089)**	(2,098)
(Increase)/decrease in trade receivables		**(10,902)**	7,978
Decrease in other receivables, prepayments and deposits		**2,767**	1,259
Decrease in an amount due from an associate		**2,516**	2,483
Increase/(decrease) in trade payables		**1,553**	(2,600)
(Decrease)/increase in bills payable		**(4,050)**	4,113
Increase/(decrease) in other payables and accrued charges		**3,548**	(572)
Increase/(decrease) in provision and other accrued charges		**8,502**	(1,116)
Cash generated from operations		**33,988**	40,829
Interest received		**66**	6
Interest income from an associate		**257**	375
Net cash generated from operating activities		**34,311**	41,210
Investing activities			
Purchase of property, plant and equipment		**(16,958)**	(9,790)
Proceeds from disposal of property, plant and equipment		**416**	74
Net cash used in investing activities		**(16,542)**	(9,716)
Financing activities			
Proceeds from new interest-bearing borrowings		**129,565**	50,003
Repayment of interest-bearing borrowings		**(147,414)**	(70,839)
Interest paid		**(1,413)**	(2,055)
Capital element of finance leases rentals paid		**(58)**	(86)
Net cash used in financing activities		**(19,320)**	(22,977)
Net (decrease)/increase in cash and cash equivalents		**(1,551)**	8,517
Cash and cash equivalents at 1 April		**629**	(7,911)
Effect of foreign exchange rate changes		**(5)**	23
Cash and cash equivalents at 31 March	19	**(927)**	629

The notes on pages 27 to 67 form part of the consolidated financial statements.

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

The consolidated financial statements for year ended 31 March 2012 comprise the Company and its subsidiaries (together the "Group") and the Group's interest in an associate.

These consolidated 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 consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 consolidated financial statements.

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

(b) Basis of preparation of the consolidated financial statements

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 32.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and non-controlling 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.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, 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. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling 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 non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests are presented as financial liabilities in the consolidated balance sheet in accordance with note 2(l).

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

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

(d) Associates

An associate is an entity in which the Group or Company 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(h)). 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 associate's other comprehensive income is recognised in the consolidated statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Associates *(Continued)*

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 is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form 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.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit and loss.

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

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash generating unit, or group of cash-generating units, that is expected to be benefit from the synergies of the combination and is tested annually for impairment (see note 2(h)).

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

(f) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(h)(ii)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment *(Continued)*

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
Leasehold land under finance leases	Over the remaining term of the relevant leases
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) 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(h)(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 on the date of retirement or disposal.

(h) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities 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 instrument below its cost.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in subsidiaries and an associate recognised using the equity method (see note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(h)(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(h)(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 these 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 receivables 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.

(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;

– interests in leasehold land held under operating leases; and

– investment properties.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

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 fair value less costs to sell 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 if 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 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 Rules Governing Listing of Securities on The Stock Exchange of Hong Kong Limited, 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(h)(i) and (ii)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) 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.

(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 assets, 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(h)(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.

The cost of acquiring land held under operating lease is amortised on a straight-line basis over the period of the relevant lease. Impairment losses are recognised in accordance with accounting policy set out in note 2(h)(ii).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) 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.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(h)(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.

(l) 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.

(m) 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(q)(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.

(n) 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 consolidated cash flow statement.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) 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.

(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 Mainland China are members of the retirement benefit scheme organised by the government in the Mainland China. 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.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that 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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Income tax *(Continued)*

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

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

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

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

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

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

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

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

  - the same taxable entity; or

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) 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(q)(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 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.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. 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 is recognised as it accrues using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) 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 closing foreign exchange rates 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.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

- (1) has control or joint control over the Group;
- (2) has significant influence over the Group; or
- (3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

- (1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (3) Both entities are joint ventures of the same third party.
- (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Related parties *(Continued)*

(ii) An entity is related to the Group if any of the following conditions applies: *(Continued)*

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated 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 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 consolidated financial statements:

- HKAS 24 (revised), Related party disclosures
- Improvements to HKFRSs (2010)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 33).

HKAS 24 (revised) simplifies the definition of "related party" and removes inconsistencies, which emphasises a symmetrical view of related party transactions. The revised standard also provides limited relief from disclosure of information by government-related entities in respect of transactions with the government to which the Group is related, or transactions with other entities related to the same government. These amendments have had no material impact on the Group's consolidated financial statements.

Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, Financial instruments: Disclosures. These amendments do not have any material impact on the Group's financial instruments in these consolidated financial statements.

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:

	2012 HK$'000	2011 HK$'000
Sales of goods	**395,472**	388,685
Sub-contracting income	**1,576**	2,590
	397,048	391,275

5. OTHER REVENUE AND NET GAIN/(LOSS)

	2012 HK$'000	2011 HK$'000
Other revenue		
Claims and compensation received	**–**	86
Discount received	**126**	168
Interest income from associate	**257**	375
Other interest income	**66**	6
Reimbursement income	**878**	1,138
Sales of scrap and unused raw materials	**133**	215
Sundry	**374**	609
	1,834	2,597
Other net gain/(loss)		
Exchange gain/(loss), net	**580**	(79)
Gain on disposal of property, plant and equipment	**109**	72
Reversal of impairment loss on amount due from an associate	**2,154**	–
	2,843	(7)

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging/(crediting):

	2012 HK$'000	2011 HK$'000
(a) Finance costs:		
Implied interest on financing the acquisition of property, plant and equipment	**–**	61
Interest on bank loans wholly repayable within five years	**992**	959
Interest on loans from other financial institutions wholly repayable within five years	**412**	1,026
Finance charges on obligations under finance leases	**9**	9
	1,413	2,055

6. PROFIT BEFORE TAXATION *(Continued)*

Profit before taxation is arrived after charging/(crediting): *(Continued)*

	2012	2011
	HK$'000	*HK$'000*
(b) Staff costs:		
Salaries, wages and allowances	**92,962**	89,970
Contributions to defined contribution retirement plans	**515**	641
Staff welfare and benefits	**9,465**	(677)
Provision for long service payments	**197**	251
	103,139	90,185

	2012	2011
	HK$'000	*HK$'000*
(c) Other items:		
Auditor's remuneration	**520**	520
Amortisation of interests in leasehold land held under operating leases	**116**	114
Cost of inventories sold *	**351,661**	354,155
Depreciation on property, plant and equipment	**26,594**	25,374
Provision for inventories	**–**	1,633

* Cost of inventories includes HK$107,374,000 (2011: HK$99,424,000) relating to staff costs, depreciation and amortisation expenses 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

(a) Taxation in the consolidated income statement represents:

	2012	2011
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Under-provision in respect of prior years	**691**	–
Deferred tax		
Origination and reversal of temporary differences *(Note 24(b))*	**2,600**	456
Income tax expense	**3,291**	456

No provision for Hong Kong Profits Tax has been made for 2012 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.

7. INCOME TAX *(Continued)*

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

	2012	2011
	HK$'000	*HK$'000*
Profit before taxation	**12,930**	928
Add: Loss of an associate	**–**	1,780
	12,930	2,708
Notional tax at Hong Kong Profits Tax rate of 16.5% (2011: 16.5%)	**2,133**	447
Tax effect of expenses not deductible for tax purpose	**4,703**	2,927
Tax effect of income not taxable	**(4,990)**	(3,383)
Tax effect of tax losses not recognised	**668**	525
Under-provision of income tax in respect of prior years	**691**	–
Others	**86**	(60)
Actual tax expense	**3,291**	456

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees		**Salaries, allowances and benefits in kind**		**Retirement scheme contributions**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Executive directors								
Cheng Kwai Chun, John	**–**	–	**1,048**	845	**12**	12	**1,060**	857
Lin Chick Kwan	**–**	–	**960**	819	**12**	12	**972**	831
Lin Wing Chau	**–**	–	**913**	819	**12**	12	**925**	831
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	**60**	60	**–**	–	**–**	–	**60**	60
	240	240	**3,161**	2,723	**38**	38	**3,439**	3,001

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2011: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2011: two) individuals are as follows:

	2012	2011
	HK$'000	*HK$'000*
Salary and other emoluments	**1,222**	1,040
Performance related incentive payments	**225**	–
Retirement scheme contributions	**24**	24
	1,471	1,064

The emoluments of the two (2011: two) individuals with the highest emoluments are within the following band:

	No. of individuals	
	2012	2011
HK$Nil – HK$1,000,000	**2**	2

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$10,210,000 (2011: HK$826,000) and 236,402,000 (2011: 236,402,000) ordinary shares in issue during the year.

The diluted earnings per share for the years ended 31 March 2012 and 2011 was the same as the basic earnings per share as there were no potential dilutive ordinary shares in existence for both years.

11. SEGMENT REPORTING

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 consolidated financial statements.

(a) Geographical information

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

	2012	2011
	HK$'000	*HK$'000*
United States of America ("USA")	**333,733**	326,265
Europe	**31,397**	32,039
Asia	**18,085**	11,796
Australia	**2,115**	1,267
Others	**11,718**	19,908
	397,048	391,275

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

	2012	2011
	HK$'000	*HK$'000*
Mainland China	**137,631**	147,907
Hong Kong	**12,603**	10,853
Thailand	**17,111**	18,394
	167,345	177,154

(b) Major customers

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

	2012	2011
	HK$'000	*HK$'000*
Customer A	**119,167**	50,087
Customer B	**92,420**	66,038
Customer C	**86,158**	105,512
Customer D	**40,280**	N/A
Customer E	**N/A**	55,070
Customer F	**N/A**	73,430

N/A: The corresponding revenue did not contribute over 10% of the total revenue of the Group.

12. PROPERTY, PLANT AND EQUIPMENT

The Group	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost						
At 1 April 2010	126,542	16,868	181,879	8,529	6,136	339,954
Exchange realignment	1,911	140	879	55	16	3,001
Additions	–	545	8,140	389	716	9,790
Disposals	–	–	(43)	(61)	(936)	(1,040)
At 31 March 2011	128,453	17,553	190,855	8,912	5,932	351,705
At 1 April 2011	128,453	17,553	190,855	8,912	5,932	351,705
Exchange realignment	(43)	82	388	(3)	12	436
Additions	1,800	854	12,932	437	935	16,958
Disposals	–	–	–	(161)	(1,609)	(1,770)
At 31 March 2012	130,210	18,489	204,175	9,185	5,270	367,329
Accumulated depreciation and impairment						
At 1 April 2010	34,242	5,638	104,838	7,010	5,476	157,204
Exchange realignment	663	117	855	55	11	1,701
Provided for the year	2,842	392	21,081	690	369	25,374
Eliminated on disposals	–	–	(43)	(59)	(936)	(1,038)
At 31 March 2011	37,747	6,147	126,731	7,696	4,920	183,241
At 1 April 2011	37,747	6,147	126,731	7,696	4,920	183,241
Exchange realignment	(18)	63	172	(7)	10	220
Provided for the year	3,355	405	21,890	552	392	26,594
Eliminated on disposals	–	–	–	(135)	(1,328)	(1,463)
At 31 March 2012	41,084	6,615	148,793	8,106	3,994	208,592
Carrying amount						
At 31 March 2012	89,126	11,874	55,382	1,079	1,276	158,737
At 31 March 2011	90,706	11,406	64,124	1,216	1,012	168,464

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

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

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Under medium term leases		
Hong Kong	**11,046**	9,563
Mainland China	**65,003**	66,848
Freehold		
Thailand	**13,077**	14,295
	89,126	90,706

At 31 March 2012, the carrying amount of a motor vehicle held under finance lease was HK$29,000 (2011: HK$115,000).

13. INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Cost		
At 1 April	**5,717**	5,587
Exchange realignment	**113**	130
At 31 March	**5,830**	5,717
Amortisation		
At 1 April	**1,120**	993
Exchange realignment	**15**	13
Provided for the year	**116**	114
At 31 March	**1,251**	1,120
Carrying amount	**4,579**	4,597

The above interests in leasehold land are held under medium term leases in Mainland China.

14. INVESTMENT PROPERTIES

	The Group	
	2012	2011
	HK$'000	*HK$'000*
At cost		
At 1 April	**4,093**	3,807
Exchange realignment	**(64)**	286
At 31 March	**4,029**	4,093

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 as at 31 March 2012 is HK$14,182,000 (2011: HK$14,405,000).

15. SUBSIDIARIES

	The Company	
	2012	2011
	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	**30,125**	30,321
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 (2011: 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 repayable on demand.

15. SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries as at 31 March 2012 are as follows:

Name of subsidiary	Place of incorporation/ registration	Particular of issued and paid up share capital	Proportion of ownership interest held by the Group 2012	2011	Principal activities
Addlink Limited	British Virgin Islands	62,000 shares of USD1 each	**100%**	100%	Investment holding
Pak Tak Knitting & Garment Factory Limited	Hong Kong	3,000,000 shares of HK$1 each	**100%**	100%	Manufacture of and trading in knit-to-shape garments
Pak Tak Knitting & Garment Factory (Thailand) Company Limited	Thailand	10,000 shares of Baht2,000 each	**60%**	60%	Properties holding
Rich Source Limited	Hong Kong	10,000 shares of HK$1 each	**100%**	100%	Provision for administrative services
Richtime Knitting Limited	Hong Kong	10,000 shares of HK$1 each	**100%**	100%	Manufacture of and trading in knit-to-shape garments
普寧市百德針織有限公司	Mainland China	HK$22,500,000	**100%**	100%	Manufacture of knit-to-shape garments
Pak Tak (America) Inc.	U.S.A	100 shares of USD0.1 each	**100%**	100%	Dormant
百德針織製衣(東莞)有限公司	Mainland China	HK$75,060,000	**100%**	–	Not yet commenced business
Sunny Dragon International Limited	Hong Kong	1,000 shares of HK$1 each	**100%**	–	Not yet commenced business

普寧市百德針織有限公司 and 百德針織製衣(東莞)有限公司 are wholly foreign owned enterprises.

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

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

In April 2012, additional capital contribution of HK$3,000,000 was made to 百德針織製衣(東莞)有限公司.

16. ASSOCIATE

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Share of net assets	**–**	–
Amount due from an associate	**3,646**	6,162
Less: Provision for impairment loss	**(3,646)**	(5,800)
	–	362

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

Particulars of the associate as at 31 March 2012 are as follows:

Name of associate	Place of incorporation and operation	Particular of issued and paid up capital	Proportion of ownership interest held by the Group **2012**	2011	Principal activities
Pak Tak (Kwong Tai) Knitting Factory Limited ("Pak Tak (Kwong Tai)")	Hong Kong	3,000,000 shares of HK$1 each	**49%**	49%	Trading and manufacturing of knitwear and other apparel products

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

	2012	2011
	HK$'000	*HK$'000*
Operating results		
Turnover	**50,201**	68,332
Loss before taxation	**(17,535)**	(4,084)
Income tax	**36**	(48)
Loss after taxation	**(17,499)**	(4,132)
Group's share of loss after taxation	**–**	(1,780)
Financial position		
Non-current assets	**275**	3,198
Current assets	**4,465**	29,730
Current liabilities	**(22,447)**	(33,113)
Non-current liabilities	**(291)**	(313)
Net liabilities	**(17,998)**	(498)
Group's share of net assets	**–**	–

The unrecognised share of losses of an associate amounted to HK$8,575,000 (2011: HK$244,000) for the year and accumulated to HK$8,819,000 (2011: HK$244,000) as at 31 March 2012.

17. INVENTORIES

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Raw materials	**10,329**	8,678
Work in progress	**21,186**	15,599
Finished goods	**5,988**	5,137
	37,503	29,414

18. TRADE RECEIVABLES

Trade receivables are due within 30 to 60 days from the date of billing. Further details on the Group's credit policy are set out in note 28(a).

Trade receivables 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 within one year. The Group does not hold any collateral over these balances.

The following is an ageing analysis of trade receivables:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Current	**28,387**	21,986
Less than 1 month past due	**6,726**	1,856
1 to 3 months past due	**187**	464
More than 3 months past due	**70**	162
Amounts past due	**6,983**	2,482
	35,370	24,468

19. CASH AND CASH EQUIVALENTS

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Cash and cash equivalents in the consolidated balance sheet	**494**	2,469
Bank overdrafts *(Note 22)*	**(1,421)**	(1,840)
Cash and cash equivalents in the consolidated cash flow statement	**(927)**	629

20. TRADE PAYABLES

The following is an ageing analysis of trade payables:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Due within 1 month or on demand	**11,831**	10,106
Due after 1 month but within 3 months	**3,249**	2,717
Due after 3 months but within 12 months	**–**	704
	15,080	13,527

21. AMOUNTS DUE TO HOLDERS OF NON-CONTROLLING INTERESTS IN A SUBSIDIARY

The amounts due are unsecured, interest free and repayable on demand.

22. INTEREST-BEARING BORROWINGS

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Bank overdrafts *(Note 19)*	**1,421**	1,840
Bank loans#	**20,732**	29,825
Borrowings from other financial institutions#	**–**	8,756
	22,153	40,421

Bank loans and borrowings from other financial institutions with repayment on demand clause have been classified as current liabilities.

The maturity profile of interest-bearing borrowings, based on the scheduled repayment dates set out in relevant loan agreements, is as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Within 1 year	**8,793**	20,832
After 1 year but within 2 years	**5,930**	9,409
After 2 years but within 5 years	**7,430**	10,180
	22,153	40,421
Less: Amount due within one year or repayable on demand classified as current liabilities	**(22,153)**	(40,421)
	–	–

22. INTEREST-BEARING BORROWINGS *(Continued)*

At 31 March 2012, interest-bearing borrowings of HK$17,080,000 (2011: HK$14,808,000) were secured by guarantees to the extent of HK$9,600,000 and HK$6,000,000 from the Government of the Hong Kong Special Administrative Region under the Special Loan Guarantee Scheme and Small and Medium Enterprises Loan Guarantee Scheme, respectively, and corporate guarantees from the Company. Other interest-bearing borrowings of HK$5,073,000 (2011: HK$25,613,000) were secured by pledge of the Group's machinery with a total carrying amount of HK$13,423,000 (2011: HK$41,128,000), the Group's leasehold properties in Hong Kong and Mainland China with a total carrying amount of HK$4,673,000 (2011: HK$4,812,000) and HK$61,669,000 (2011: HK$63,424,000), respectively, personal guarantee from a director and legal charges on certain leasehold properties owned by a director and companies controlled by that director.

23. OBLIGATIONS UNDER FINANCE LEASES

	Total minimum lease payments		Present value of the minimum lease payments	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The Group				
Amount repayable under finance leases:				
Within 1 year	**67**	67	**58**	58
After 1 year but within 2 years	**22**	67	**19**	58
After 2 years but within 5 years	**–**	22	**–**	19
	89	156	**77**	135
Less: Total future interest expenses	**(12)**	(21)	**–**	–
Present value of lease obligations	**77**	135	**77**	135
Less: Amount due within one year classified as current liabilities			**(58)**	(58)
Amount due after one year			**19**	77

The Group has leased a motor vehicle under finance lease with a lease term of 5 years. The interest rate for the lease was fixed at the contract date and the effective rate for the year was 3% (2011: 3%) per annum. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

24. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Tax payable in the consolidated balance sheet

Tax payable in the consolidated balance sheet represents under-provision of income tax in respect of prior years.

(b) Deferred tax assets and liabilities recognised

The components of deferred tax (assets)/liabilities recognised in the consolidated 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 March 2010	10,481	(7,914)	2,567
(Credited)/charged to profit or loss *(Note 7(a))*	(1,843)	2,299	456
At 31 March 2011	8,638	(5,615)	3,023
(Credited)/charged to profit or loss *(Note 7(a))*	(2,569)	5,169	2,600
At 31 March 2012	6,069	(446)	5,623

(c) Deferred tax assets not recognised

At 31 March 2012, the Group has unused tax losses of HK$26,205,000 (2011: HK$91,892,000). A deferred tax asset has been recognised in respect of HK$2,703,000 (2011: HK$34,030,000) of such losses. No deferred tax asset has been recognised in respect of the remaining balance of HK$23,502,000 (2011: HK$57,862,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$14,898,000 (2011: HK$48,746,000) that will expire within five years. Other losses may be carried forward indefinitely.

25. PROVISION AND OTHER ACCRUED CHARGES

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Provision for long service payments *(Note 25(a))*	**1,248**	1,051
Other accrued charges *(Note 25(b))*	**14,230**	5,728
	15,478	6,779

(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.

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

	The Group	
	2012	2011
	HK$'000	*HK$'000*
At 1 April	**1,051**	1,018
Amount charged to profit or loss	**197**	251
Benefit payments	**–**	(218)
At 31 March	**1,248**	1,051

(b) Other accrued charges

Other accrued charges represent liabilities in respect of staff benefits.

26. 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 2010	23,640	5,987	181,059	(67,220)	143,466
Changes in equity for 2011:					
Loss and total comprehensive loss for the year	–	–	–	(143)	(143)
At 31 March 2011	23,640	5,987	181,059	(67,363)	143,323
At 1 April 2011	23,640	5,987	181,059	(67,363)	143,323
Changes in equity for 2012:					
Loss and total comprehensive loss for the year	–	–	–	(146)	(146)
At 31 March 2012	**23,640**	**5,987**	**181,059**	**(67,509)**	**143,177**

(b) Dividend

The directors do not recommend the payment of any dividend for the year ended 31 March 2012 (2011: HK$Nil).

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

(c) Share capital

Authorised and issued share capital

	2012		2011	
	No. of shares		No. of shares	
	'000	***HK$'000***	*'000*	*HK$'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(s).

26. 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:

	2012	2011
	HK$'000	*HK$'000*
Contributed surplus	**181,059**	181,059
Accumulated losses	**(67,509)**	(67,363)
	113,550	113,696

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a 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 and obligations under finance leases). Total shareholders' fund comprises all components of equity.

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

(f) Capital management *(Continued)*

During 2012, the Group's strategy is to maintain the gearing ratio with a range from 10% to 30% (2011: 25% to 45%).

The gearing ratio as at 31 March 2012 and 2011 was as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Current liabilities		
Bills payable	**69**	4,119
Interest-bearing borrowings	**22,153**	40,421
Obligations under finance leases	**58**	58
	22,280	44,598
Non-current liabilities		
Obligations under finance leases	**19**	77
	19	77
Total debt	**22,299**	44,675
Total shareholders' fund	**171,974**	162,553
Gearing ratio	**13%**	27%

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

27. SHARE OPTION SCHEME

The Company's old share option scheme, which was adopted on 9 November 2001, was terminated upon the adoption of the existing share option scheme. No options had been granted since the adoption of the old share option scheme.

The Company's new share option scheme (the "Scheme") was adopted pursuant to a shareholders' resolution passed on 23 August 2011 for the primary purpose of granting options to eligible participants as incentives or rewards for their contribution to the Group and will be valid and effective for a period of 10 years commencing on the date on which the Scheme was adopted. Under the Scheme, the board of directors (the "Directors") may grant options to eligible employees of the Group, any executive and non-executive director (including independent non-executive director) of the Group and other eligible participants to subscribe for shares in the Company (the "Shares"), at a price to be determined by the Directors, but shall not be less than the higher of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

27. SHARE OPTION SCHEME *(Continued)*

An offer of the grant of the option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Scheme for the holding of an option before it can be exercised. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

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 23,640,200 shares of the Company, being 10% of the shares in issue on the date of approval of the Scheme by the shareholders of the Company.

Unless approved by shareholders of the Company, the total number of Shares issued and which may fall to be issued upon exercise of the options to be granted under the Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

No options under the Scheme were granted or exercised during the year and there were no outstanding options at 31 March 2012.

28. 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. The Group's exposure to risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, trade receivables and amount due from an associate. 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 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.

At the balance sheet date, the Group had a certain concentration of credit risk as 60% (2011: 57%) and 99% (2011: 91%) of the total trade receivables was due from one customer and five customers respectively.

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 18.

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

(b) Liquidity risk

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

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

	2012					2011				
	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**	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
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The Group										
Trade payables	**15,080**	**15,080**	**15,080**	**–**	**–**	13,527	13,527	13,527	–	–
Bills payable	**69**	**69**	**69**	**–**	**–**	4,119	4,119	4,119	–	–
Other payables and accrued charges	**13,271**	**13,271**	**13,271**	**–**	**–**	9,723	9,723	9,723	–	–
Amounts due to holders of non-controlling interests in a subsidiary	**3,683**	**3,683**	**3,683**	**–**	**–**	3,741	3,741	3,741	–	–
Interest-bearing borrowings +	**22,153**	**23,088**	**23,088**	**–**	**–**	40,421	41,738	41,738	–	–
Obligations under finance leases	**77**	**89**	**67**	**22**	**–**	135	156	67	67	22
Other accrued charges	**14,230**	**14,230**	**–**	**–**	**14,230**	5,728	5,728	–	–	5,728
	68,563	**69,510**	**55,258**	**22**	**14,230**	77,394	78,732	72,915	67	5,750
The Company										
Accrued charges	**476**	**476**	**476**	**–**	**–**	469	469	469	–	–

\+ Interest-bearing borrowings with repayment on demand clause are classified as on demand in the above analysis although the demand clause has not been exercised.

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

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings and obligations under finance leases. 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).

(i) Interest rate profile

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

	2012		2011	
	Effective interest rate %	***HK$'000***	Effective interest rate %	*HK$'000*
Variable rate deposits:				
Bank deposits	**0.75**	**218**	0.27	2,067
Fixed rate borrowings:				
Obligations under finance leases	**3.00**	**77**	3.00	135
Interest-bearing borrowings	**2.89**	**–**	2.88	8,756
		77		8,891
Variable rate borrowings:				
Interest-bearing borrowings	**3.15**	**22,153**	2.24	31,665
Net borrowings		**22,012**		38,489

(ii) Sensitivity analysis

At 31 March 2012, 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$183,000 (2011: HK$247,000).

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 is performed on the same basis for 2011.

28. 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					
	2012			2011		
	Renminbi	**United States Dollars**	**Thai Baht**	Renminbi	United States Dollars	Thai Baht
	'000	***'000***	***'000***	*'000*	*'000*	*'000*
Trade receivables	**–**	**4,559**	**–**	–	3,135	–
Other receivables, prepayments and deposits	**4,365**	**157**	**273**	2,130	951	232
Cash and cash equivalents	**139**	**18**	**468**	99	262	1,017
Trade payables	**(1,569)**	**(1,033)**	**–**	(916)	(989)	–
Bills payable	**–**	**(9)**	**–**	–	(248)	–
Other payables and accrued charges	**(6,137)**	**–**	**(1,051)**	(5,429)	–	(1,052)
Amounts due to holders of non-controlling interests in a subsidiary	**–**	**–**	**(14,500)**	–	–	(14,500)
Provision and other accrued charges	**(11,519)**	**–**	**–**	(5,043)	–	–
Net exposure arising from recognised assets and liabilities	**(14,721)**	**3,692**	**(14,810)**	(9,159)	3,111	(14,303)

28. 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			
	2012		2011	
	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%**	**(754)**	5%	(455)
	(5%)	**754**	(5%)	455
United States Dollars	**5%**	**1,197**	5%	1,012
	(5%)	**(1,197)**	(5%)	(1,012)
Thai Baht	**5%**	**(155)**	5%	(154)
	(5%)	**155**	(5%)	154

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 Dollar 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 Dollar at the exchange rate ruling as at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2011.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2012 and 2011.

29. COMMITMENTS

Capital commitments outstanding at 31 March 2012 not provided for in the consolidated financial statements were as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Contracted for		
– Acquisition of property, plant and equipment	**4,167**	5,596

30. FINANCIAL GUARANTEES ISSUED

At 31 March 2012, the Company had issued corporate guarantees to banks and other financial institutions in connection with facilities granted to certain subsidiaries amounting to HK$119 million (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 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 2012, 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$22 million (2011: HK$40 million).

31. 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:

	2012	2011
	HK$'000	*HK$'000*
Salaries, allowances and other benefits	**4,848**	4,003
Contributions to defined contributions retirement plan	**62**	62
	4,910	4,065

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

31. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) 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 22). In addition, the Group entered into the following material related party transactions during the year:

Name of related party	Nature of transaction	2012 *HK$'000*	2011 *HK$'000*
Pak Tak (Kwong Tai)	Sales of goods	**–**	1,746
	Sample sales income	**68**	5
	Rental and other income	**283**	540
	Commission paid	**154**	181
	Overdue interest income	**257**	375
	Reversal of impairment loss on amount due	**2,154**	–
	Purchase of leasehold properties	**1,800**	–

Balances with related parties are disclosed in the balance sheets and in Notes 15, 16 and 21.

32. 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.

32. 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 its fair value less costs to sell and the value in use. It is difficult to precisely estimate its fair value less costs to sell 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.

33. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2012

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the year ended 31 March 2012 and which have not been adopted in these consolidated financial statements. Of these developments, the following relate to matters that may be relevant to the Group's operations and consolidated financial statements:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 7, Financial instruments: Disclosures – Transfers of financial assets	1 July 2011
Amendments to HKAS12, Income taxes – Deferred tax: Recovery of underlying assets	1 January 2012
Amendments to HKAS 1, Presentation of financial statements – presentation of items of other comprehensive income	1 July 2012
Annual improvements to HKFRSs 2009 – 2011 cycle	1 January 2013
Amendments to HKAS 32, Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 10, Consolidated financial statements	1 January 2013
HKFRS 12, Disclosure of interests in other entities	1 January 2013
HKFRS 13, Fair value measurement	1 January 2013
HKAS 19 (2011), Employee benefits	1 January 2013
HKAS 27 (2011), Separate financial statements	1 January 2013
HKAS 28 (2011), Investments in associates and joint ventures	1 January 2013
HKFRS 9, Financial instruments	1 January 2015

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.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2008	2009	2010	2011	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	354,088	396,849	330,693	391,275	**397,048**
Profit from operations	4,957	13,183	8,007	4,763	**14,343**
Finance costs	(4,754)	(4,514)	(2,606)	(2,055)	**(1,413)**
Share of results of an associate	699	(2,288)	(171)	(1,780)	**–**
Profit before taxation	902	6,381	5,230	928	**12,930**
Income tax	(245)	(1,896)	(250)	(456)	**(3,291)**
Profit for the year	657	4,485	4,980	472	**9,639**
Attributable to:					
Equity shareholders of the Company	657	4,485	4,980	826	**10,210**
Non-controlling interests	–	–	–	(354)	**(571)**
	657	4,485	4,980	472	**9,639**

ASSETS AND LIABILITIES

	At 31 March				
	2008	2009	2010	2011	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	277,369	264,394	269,211	244,021	**248,099**
Total liabilities	(125,443)	(109,908)	(108,096)	(81,468)	**(76,125)**
Net assets	151,926	154,486	161,115	162,553	**171,974**
Equity attributable to equity shareholders of the Company	151,926	154,486	161,115	163,704	**173,517**
Non-controlling interests	–	–	–	(1,151)	**(1,543)**
Total equity	151,926	154,486	161,115	162,553	**171,974**