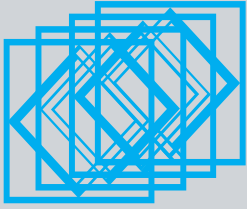


Stock Code: 2668

Interim Report 2012



百德國際有限公司

Pak Tak International Limited





PAK TAK INTERNATIONAL LIMITED
INTERIM REPORT 2012

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REVIEW OF OPERATIONS

The board of directors (the “Directors”) of Pak Tak International Limited (the “Company”) has the pleasure of presenting the interim report and the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the six months ended 30 September 2012.

Turnover

The Group’s turnover in the six months ended 30 September 2012 was HK\$238 million, which approximates the turnover of HK\$241 million in the same period of the previous year. The stable performance of the Group reflects the mild economic recovery experienced by the US, the main market of the Group. During the current period under review, the Group continues to focus on high-end products as its average sales price has increased by 1%. The Group’s client base has provided it with a solid foundation for stable performance.

By focusing on high-end products that command a price premium, the Group was able to withstand the pressure of the continuing rise in labour cost and the general commodity price surge in China. The result is that despite the increase in direct cost, the gross profit margin of the Group decreased slightly from 19% for the corresponding period last year to 18%.

In the period under review, the Group’s major customers remain to be in the US, accounting for approximately 81% of the Group’s total turnover. 16% of sales was from Europe and Asia.

Profitability

The Group’s net profit for the six months ended 30 September 2012 was HK\$19 million. During this period, the Group’s before tax profit was actually stable, dropping only slightly as a result of the drop in turnover and gross margin – the Group managed to reduce its overall administrative and selling expenses by 2%, to HK\$18.7 million by applying stringent efforts to control expenses.

The major item that impacted on the profitability of the Group was the tax provision for the six month period under review. In the current period, the Group has changed its operating license in China. The Group has decided to be prudent in making the necessary tax provisions that relates to the change in the license which may result in the Group being not able to claim the 50/50 offshore manufacturing tax relief for the entire period under review. However, the Group expects the tax provision for the full year to fall as its tax efficient structure will become operational over the course of the full financial year.

Liquidity and Capital Resources

The cash and cash equivalents of the Group were approximately HK\$-2 million as at 30 September 2012, representing a decrease of approximately HK\$1.5 million as compared with the balance as at 31 March 2012.

The Group principally satisfies its demand for operating capital with cash inflow from operations and credit facilities of over HK\$142 million (31 March 2012: HK\$115 million), out of which HK\$59 million (31 March 2012: HK\$22 million) has been utilized as at 30 September 2012. The credit facilities were partially secured by corporate guarantees given by the Company. The Directors believe that the Group will maintain a sound and stable financial position, with sufficient liquid capital and financial resources to satisfy its business needs.

Foreign Exchange Risks and Interest Rate Risk Management

The Group adopts strict and cautious policies in managing its exchange rate risk and interest rate risk. The principal foreign currency risk stems from the exchange rate movements of the Hong Kong dollars, which are pegged to the US dollars, and Renminbi. The sales of the Group are mainly denominated in US dollars. In recent years, the Group's purchases of raw materials are settled principally in Hong Kong dollars and US dollars. The Group's operations in China, the location of its production, are primarily conducted in Renminbi, and its Hong Kong operations are conducted in Hong Kong dollars. During the six months ended September 2012, the Group did not use any financial instruments to reduce the risk of change in exchange rates.

The Directors are of the opinion that the Group is not subject to any significant interest rate risk even though the bank borrowings of the Group, denominated in Hong Kong dollars, are on the floating rate basis. As the Group operates at the debt to equity ratio of 31%, the interest rate exposure is not significant.

Interim Dividend

The Directors have resolved not to recommend the payment of any interim dividend for the six months ended 30 September 2012 (30 September 2011: HK\$ Nil).

Pledge of Assets

As at 30 September 2012, certain of the Group's machinery with a total carrying amount of HK\$3 million (31 March 2012: HK\$13 million) and certain of the Group's leasehold properties in Hong Kong and Mainland China with a total carrying amount of HK\$5 million (31 March 2012: HK\$5 million) and HK\$61 million (31 March 2012: HK\$62 million), respectively, were pledged to secure the credit facilities utilised by the Group.

Financial Guarantees Issued

At 30 September 2012, the Company had issued corporate guarantees to bank and other financial institutions in connection with facilities granted to certain of its subsidiaries amounting to approximately HK\$120 million (31 March 2012: HK\$119 million).

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

At 30 September 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\$59 million (31 March 2012: HK\$22 million).

Capital Expenditures and Commitments

During the period under review, the Group had capital expenditures of approximately HK\$10 million (30 September 2011: HK\$15 million).

As at 30 September 2012, the Group had capital commitments in property, plant and equipment amounting to HK\$0.5 million (31 March 2012: HK\$4 million).

Employees and Remuneration Policies

As at 30 September 2012, the Group had a total of approximately 1,709 employees (30 September 2011: approximately 223 employees). The total staff cost of the Group amounted to approximately HK\$57 million during the period, representing 24% of the Group's turnover. Employees' remuneration and bonuses are based on their performances, experience and the prevailing industry practice. The Group's remuneration policies and packages are reviewed periodically by the management of the Company. The Group provides relevant training to its employees in accordance with the skills requirements of different positions.

Future Prospects

Looking ahead, there are many uncertain factors in the economic growth. The Group will further improve product mix and encourage innovation and reformation. We believe these initiatives will further enhance sales.

In addition, by leveraging on the advantages of continuing improvement of product quality and implementation of Group's new design concepts to its products, the Group will continue its efforts to deliver value-added products to its customers. The management of the Group believes that, given its operating efficiency and strategy, the Group will regain its growth rapidly once the market recovers.

DIRECTORS

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

Executive Directors

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

Non-executive Director

Mr. Victor Robert Lew
(*Chairman of the Board and Chairman of the Corporate Governance Committee*)

Independent Non-executive Directors

Mr. Chow Chan Lum (*Chairman of Audit Committee and Remuneration Committee*)
Ms. Ko Hay Yin, Karen
Ms. Ho Man Yee, Esther (*Chairman of Nomination Committee*)
Mr. Yuen Chi King, Wyman

DIRECTORS' INTERESTS IN SECURITIES

At 30 September 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

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

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

SUBSTANTIAL SHAREHOLDERS

At 30 September 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.
2. Best Ahead Limited is incorporated in the British Virgin Islands, the entire issued share capital of which was beneficially owned by the late Mr. Cheng Chi Tai, the former chairman and a director of the Company, who passed away in January 2007. Such shares now form part of the estates of the late Mr. Cheng Chi Tai and are pending distribution by the executor. The director of Best Ahead Limited is Mr. Cheng Kwai Chun, John. Save as disclosed above, no Director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Other than as disclosed above, so far as was known to any Director or chief executive of the Company, no other person had any other interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO as at 30 September 2012.

As at 30 September 2012, so far as known to any Director or chief executive of the Company, the following persons (other than members of the Group) were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital:

Name of Owner	Name of Subsidiary	Percentage of Equity Interests
Ms. Amy Pik Sin	Pak Tak Knitting & Garment Factory (Thailand) Company Limited	10%
Mr. Nakorn Phisitchoowong	Pak Tak Knitting & Garment Factory (Thailand) Company Limited	10%
Ms. Janphen Phisitchoowong	Pak Tak Knitting & Garment Factory (Thailand) Company Limited	10%

Other than as disclosed above, the Directors and chief executives of the Company were not aware of any persons (other than members of the Group) who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital as at 30 September 2012.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2012.

CORPORATE GOVERNANCE REPORT

The Directors are pleased to report that throughout the six months period ended 30 September 2012, the Company was in compliance with the code provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Listing Rules. In particular, the Company has ensured that:

- the appointment to and the composition and operation of the Board of Directors 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 a code of conduct rules (the “Model Code”) regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company confirms that all the Directors had complied with the Model Code for the six months ended 30 September 2012.

COMMITTEES

The Directors have caused four committees to be formed pursuant to the Code: the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee. The Audit Committee, comprising the four independent non-executive Directors, namely Mr. Chow Chan Lum, Ms. Ko Hay Yin, Karen, Ms. Ho Man Yee, Esther and Mr. Yuen Chi King, Wyman, has reviewed with the management and the auditors of the accounting principles and practices adopted by the Group and discussed and reviewed the unaudited interim financial information for the six months ended 30 September 2012.

The interim results for the six months ended 30 September 2012 have been reviewed by the Company’s auditors.

On behalf of the Board
Victor Robert Lew
Chairman

Hong Kong, 26 November 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 REVIEW REPORT
TO THE BOARD OF DIRECTORS OF PAK TAK INTERNATIONAL LIMITED
(Incorporated in the Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 11 to 20 which comprises the condensed consolidated balance sheet of Pak Tak International Limited as at 30 September 2012, the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial information in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on this interim financial information and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 26 November 2012

Chan Kwan Ho, Edmond
Practising certificate number P02092

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

		Six months ended 30 September	
	Note	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Turnover	3	238,214	240,906
Cost of sales		(195,412)	(194,834)
Gross profit		42,802	46,072
Other revenue	5	1,558	819
Other net gain	5	98	1,239
Administrative expenses		(15,054)	(13,950)
Selling expenses		(3,657)	(5,188)
Profit from operations	6	25,747	28,992
Finance costs	7	(508)	(892)
Share of profit of an associate		–	241
Profit before taxation		25,239	28,341
Income tax expense	8	(6,686)	(2,600)
Profit for the period		18,553	25,741
Attributable to:			
Equity shareholders of the Company		18,824	26,047
Non-controlling interests		(271)	(306)
		18,553	25,741
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
– Basic and diluted	9	8	11

The notes on pages 16 to 20 form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period	18,553	25,741
Other comprehensive income for the period:		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	<u>(1,335)</u>	<u>219</u>
Total comprehensive income for the period	<u>17,218</u>	<u>25,960</u>
Attributable to:		
Equity shareholders of the Company	17,399	26,036
Non-controlling interests	<u>(181)</u>	<u>(76)</u>
	<u>17,218</u>	<u>25,960</u>

The notes on pages 16 to 20 form part of this interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2012

	Note	At 30 September 2012 HK\$'000 (unaudited)	At 31 March 2012 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	157,281	158,737
Interests in leasehold land held for own use under operating leases		4,519	4,579
Investment properties		3,997	4,029
Interest in an associate		—	—
		<u>165,797</u>	<u>167,345</u>
Current assets			
Inventories		57,379	37,503
Trade receivables	12	88,485	35,370
Other receivables, prepayments and deposits		18,006	7,387
Cash and cash equivalents		1,842	494
		<u>165,712</u>	<u>80,754</u>
Current liabilities			
Trade payables	13	29,885	15,080
Bills payable		21	69
Other payables and accrued charges		20,557	13,271
Amounts due to holders of non-controlling interests in a subsidiary		3,654	3,683
Interest-bearing borrowings		59,437	22,153
Obligations under finance leases		48	58
Tax payable		3,440	691
		<u>117,042</u>	<u>55,005</u>
Net current assets		<u>48,670</u>	<u>25,749</u>
Total assets less current liabilities		<u>214,467</u>	<u>193,094</u>
Non-current liabilities			
Obligations under finance leases		—	19
Deferred tax liabilities		8,869	5,623
Provision and other accrued charges		16,406	15,478
		<u>25,275</u>	<u>21,120</u>
NET ASSETS		<u>189,192</u>	<u>171,974</u>
Capital and reserves			
Share capital		23,640	23,640
Reserves		167,276	149,877
Total equity attributable to equity shareholders of the Company		190,916	173,517
Non-controlling interests		(1,724)	(1,543)
TOTAL EQUITY		<u>189,192</u>	<u>171,974</u>

Approved and authorised for issue by the board of directors on 26 November 2012.

Victor Robert Lew
DIRECTOR

Cheng Kwai Chun, John
DIRECTOR

The notes on pages 16 to 20 form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Attributable to equity shareholders of the Company						Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
Balance at 1 April 2011 (audited)	23,640	5,987	32,680	7,525	93,872	163,704	(1,151)	162,553
Changes in equity for the six months ended 30 September 2011:								
Profit for the period	-	-	-	-	26,047	26,047	(306)	25,741
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	(11)	-	(11)	230	219
Total comprehensive income for the period	-	-	-	(11)	26,047	26,036	(76)	25,960
Balance at 30 September 2011 (unaudited)	<u>23,640</u>	<u>5,987</u>	<u>32,680</u>	<u>7,514</u>	<u>119,919</u>	<u>189,740</u>	<u>(1,227)</u>	<u>188,513</u>
Balance at 1 April 2012 (audited)	23,640	5,987	32,680	7,128	104,082	173,517	(1,543)	171,974
Changes in equity for the six months ended 30 September 2012:								
Profit for the period	-	-	-	-	18,824	18,824	(271)	18,553
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	(1,425)	-	(1,425)	90	(1,335)
Total comprehensive income for the period	-	-	-	(1,425)	18,824	17,399	(181)	17,218
Balance at 30 September 2012 (unaudited)	<u>23,640</u>	<u>5,987</u>	<u>32,680</u>	<u>5,703</u>	<u>122,906</u>	<u>190,916</u>	<u>(1,724)</u>	<u>189,192</u>

The notes on pages 16 to 20 form part of this interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Six months ended 30 September	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Net cash used in operating activities	(25,236)	(36,024)
Investing activities		
Purchase of property, plant and equipment	(10,176)	(15,331)
Other investing cash flows	14	–
Net cash used in investing activities	(10,162)	(15,331)
Financing activities		
Interest-bearing borrowings raised, net	34,395	48,494
Other financing cash flows	(537)	(921)
Net cash generated from financing activities	33,858	47,573
Net decrease in cash and cash equivalents	(1,540)	(3,782)
Cash and cash equivalents at 1 April	(927)	629
Effect of foreign exchange rate changes	(1)	–
Cash and cash equivalents at 30 September	(2,468)	(3,153)
Cash and cash equivalents at 30 September, represented by:		
Cash and cash equivalents in the condensed consolidated balance sheet	1,842	758
Bank overdrafts included in interest-bearing borrowings	(4,310)	(3,911)
	(2,468)	(3,153)

The notes on pages 16 to 20 form part of this interim financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. GENERAL

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

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

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

2. BASIS OF PRESENTATION

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

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements. The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting period of the Group. The adoption of these amendments to HKFRSs did not result in significant changes to the Group's accounting policies applied in this interim financial information for the periods presented. The Group has not applied any new standard or amendment that is not yet effective for the current accounting period.

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

3. SEGMENT REPORTING

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

The Group's turnover for the six months ended 30 September 2012 by geographical market is as follows:

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
United States of America ("USA")	191,993	193,927
Europe	25,020	26,176
Asia	13,481	13,052
Australia	287	1,760
Others	7,433	5,991
	<hr/>	<hr/>
	238,214	240,906
	<hr/>	<hr/>

4. SEASONALITY OF OPERATIONS

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

5. OTHER REVENUE AND NET GAIN

	Six months ended 30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Other revenue		
Discount received	74	79
Interest income from an associate	113	147
Other interest income	6	4
Reimbursement income	519	375
Sales of scrap and unused raw materials	193	8
Sundry	653	206
	<hr/>	<hr/>
	1,558	819
Other net gain		
Exchange (loss)/gain, net	(42)	323
Gain on disposal of property, plant and equipment	12	–
Reversal of impairment loss on amount due from an associate	128	916
	<hr/>	<hr/>
	98	1,239
	<hr/>	<hr/>

6. PROFIT FROM OPERATIONS

	Six months ended 30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit from operations has been arrived at after charging:		
Amortisation of interests in leasehold land held for own use under operating leases	58	58
Depreciation on property, plant and equipment	11,495	13,127
Provision for inventories	640	–
	<hr/>	<hr/>

7. FINANCE COSTS

The finance costs represent interest on borrowings from banks and other financial institutions wholly repayable within five years and charges on finance leases.

8. INCOME TAX

	Six months ended 30 September 2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the period	3,440	–
Deferred tax		
Origination and reversal of temporary differences	3,246	2,600
	<u>6,686</u>	<u>2,600</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the period.

No provision for Hong Kong Profits Tax has been made for the six months ended 30 September 2011 as the companies in the Group either have no assessable profits or have tax losses brought forward in excess of the estimated assessable profit for the period.

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$18,824,000 for the period (six months ended 30 September 2011: HK\$26,047,000) and 236,402,000 (six months ended 30 September 2011: 236,402,000) ordinary shares in issue.

The diluted earnings per share for the periods ended 30 September 2012 and 2011 was the same as the basic earnings per share as there were no potential dilutive ordinary shares in existence for both periods.

10. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2012 (six months ended 30 September 2011: HK\$ Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2012, the Group acquired property, plant and equipment at a cost of HK\$10,176,000 (six months ended 30 September 2011: HK\$15,331,000).

At 30 September 2012, the carrying amount of a motor vehicle held under finance leases is HK\$Nil (31 March 2012: HK\$29,000).

12. TRADE RECEIVABLES

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

	At 30 September 2012 HK\$'000 (unaudited)	At 31 March 2012 HK\$'000 (audited)
Current	67,375	28,387
Less than 1 month past due	18,654	6,726
1 to 3 months past due	2,368	187
More than 3 months past due	88	70
Amounts past due	21,110	6,983
	88,485	35,370

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 high credit-ratings.

13. TRADE PAYABLES

The following is an aging analysis of trade payables:

	At 30 September 2012 HK\$'000 (unaudited)	At 31 March 2012 HK\$'000 (audited)
Due within 1 month or on demand	18,963	11,831
Due after 1 month but within 3 months	9,126	3,249
Due after 3 months but within 12 months	1,796	–
	29,885	15,080

14. PLEDGE OF ASSETS

At 30 September 2012, certain of the Group's machinery with a total carrying amount of HK\$3,470,000 (31 March 2012: HK\$13,423,000) and certain of the Group's leasehold properties in Hong Kong and Mainland China with a total carrying amount of HK\$4,604,000 (31 March 2012: HK\$4,673,000) and HK\$60,791,000 (31 March 2012: HK\$61,669,000), respectively, were pledged to secure the credit facilities utilised by the Group.

15. COMMITMENTS

Capital commitments outstanding at 30 September 2012 not provided for in the interim financial information were as follows:

	At 30 September 2012 HK\$'000 (unaudited)	At 31 March 2012 HK\$'000 (audited)
Contracted for – acquisition of property, plant and equipment	<u>475</u>	<u>4,167</u>

16. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

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

	Six months ended 30 September 2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Salaries, allowances and other benefits	2,062	2,030
Contributions to defined contributions retirement plan	<u>36</u>	<u>31</u>
	<u>2,098</u>	<u>2,061</u>

(b) Financing arrangements

At 30 September 2012, certain interest-bearing borrowings totalling HK\$23,651,000 (31 March 2012: HK\$1,421,000) were secured by legal charges on certain leasehold properties owned by companies controlled by a director.

(c) Other related party transactions

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

Name of related party	Nature of transactions	Six months ended 30 September 2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Pak Tak (Kwong Tai)	Sample sales income	31	14
Knitting Factory Limited	Rental income	145	55
	Commission paid	2	80
	Overdue interest income	113	147
	Reversal of impairment loss on amount due	128	916
	Purchase of leasehold properties	<u>–</u>	<u>1,800</u>