PAK TAK INTERNATIONAL LIMITED
（百德國際有限公司）*

(incorporated in Bermuda with limited liability)
(Stock Code: 2668)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2008

HIGHLIGHTS

The highlights of the results for the year ended 31 March 2008:

- Turnover increased by 0.568% to HK$354 million from HK$352 million for the year ended 31 March 2007;
- Net profit for the year was HK$0.657 million, as compared to net profit of HK$1.036 million for the year ended 31 March 2007;
- Earnings per share for the year were HK0.3 cent, as compared to HK0.4 cent for the year ended 31 March 2007;
- The Group's net current liability at 31 March 2008 was HK$22 million, as compared to net current asset of HK$3 million at 31 March 2007, representing a current ratio of 0.73 (2007: 1.06).

FINANCIAL RESULTS

The directors (the "**Directors**") of Pak Tak International Limited (the "**Company**") are pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "**Group**") for the year ended 31 March 2008 together with the audited comparative figures for the corresponding year ended 31 March 2007 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	*1*	**354,088**	352,151
Cost of sales		**(315,789)**	(314,890)
Gross profit		**38,299**	37,261
Other revenue	*2*	**1,816**	1,972
Other net income	*2*	**875**	2,615
Administrative expenses		**(28,124)**	(32,666)
Selling expenses		**(7,909)**	(6,075)
Profit from operations		**4,957**	3,107
Finance costs	*3(a)*	**(4,754)**	(4,160)
Share of results of an associate		**699**	2,139
Profit before taxation	*3*	**902**	1,086
Income tax	*4*	**(245)**	(50)
Profit attributable to shareholders		**657**	1,036
Dividend	*5*	**–**	–
		HK cent	*HK cent*
Earnings per share	*6*	**0.3**	0.4

CONSOLIDATED BALANCE SHEET

At 31 March 2008

	2008 *HK$'000*	2007 *HK$'000*
Non-current assets		
Property, plant and equipment	**202,291**	175,202
Prepaid land premiums	**7,690**	7,622
Investment properties	**3,918**	3,855
Interest in an associate	**4,240**	3,541
	218,139	190,220
Current assets		
Inventories	**34,282**	34,146
Trade receivables	**6,151**	8,470
Other receivables, prepayments and deposits	**6,449**	3,951
Amount due from an associate	**2,053**	4,581
Cash and cash equivalents	**10,295**	11,163
	59,230	62,311
Current liabilities		
Trade payables	**9,039**	10,899
Bills payable	**990**	5,095
Other payables and accrued charges	**27,387**	12,376
Amounts due to minority shareholders of a subsidiary	**3,358**	3,314
Interest-bearing borrowings	**27,801**	23,074
Obligations under finance leases	**4,342**	4,136
Other short term loan	**8,500**	–
	81,417	58,894
Net current (liabilities)/assets	**(22,187)**	3,417
Total assets less current liabilities	**195,952**	193,637
Non-current liabilities		
Interest-bearing borrowings	**32,302**	19,631
Obligations under finance leases	**1,668**	6,001
Amount due to a director	**8,500**	8,500
Other long term loan	**–**	8,500
Deferred tax liability	**421**	176
Provision for long service payments	**1,135**	885
	44,026	43,693
NET ASSETS	**151,926**	149,944
CAPITAL AND RESERVES		
Share capital	**23,640**	23,640
Reserves	**128,286**	126,304
TOTAL EQUITY	**151,926**	149,944

NOTES:

1. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) Business segments

The Group's principal activities comprise the following main business segments:

(i) Sale of knit-to-shape garments

(ii) Sub-contracting

RESULTS

	Turnover		**Contribution to profit/(loss)**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sales of knit-to-shape garments	**352,258**	348,067	**1,309**	2,874
Sub-contracting	**99,685**	15,391	**3,021**	(487)
Less: Inter-segment transactions	**(97,855)**	(11,307)	**(2,064)**	(3,867)
	354,088	352,151	**2,266**	(1,480)
Other operating income			**2,691**	4,587
Profit from operations			**4,957**	3,107
Finance costs			**(4,754)**	(4,160)
Share of results of an associate			**699**	2,139
Profit before taxation			**902**	1,086
Income tax			**(245)**	(50)
Profit for the year			**657**	1,036

Inter-segment sales for the year ended 31 March 2008 and 2007 from sub-contracting segment to sales of knit-to-shape garments segment were charged at cost plus a percentage profit markup.

FINANCIAL POSITION

	2008	2007
	HK$'000	*HK$'000*
Assets		
Segment assets:		
– Knit-to-shape garments	**224,205**	191,911
– Sub-contracting	**32,988**	37,354
– Unallocated segment assets	**3,918**	3,855
Total segment assets	**261,111**	233,120
Unallocated corporate assets	**16,258**	19,411
Consolidated total assets	**277,369**	252,531
Liabilities		
Segment liabilities:		
– Knit-to-shape garments	**92,119**	64,601
– Sub-contracting	**16,324**	20,986
Total segment liabilities	**108,443**	85,587
Unallocated corporate liabilities	**17,000**	17,000
Consolidated total liabilities	**125,443**	102,587
Capital additions in segment assets		
– Knit-to-shape garments	**48,491**	17,142
– Sub-contracting	**7**	5,947
	48,498	23,089
Depreciation and amortisation		
– Knit-to-shape garments	**17,340**	11,867
– Sub-contracting	**5,283**	4,592
	22,623	16,459
Impairment loss on trade receivables		
– Knit-to-shape garments	**167**	2,011

(b) **Geographical segments**

The Group's operations are located in Hong Kong, Mainland China and Thailand.

The following table provides an analysis of the Group's sales by geographical market, irrespective of origin of the goods and services:

	Sales revenue by geographical market	
	2008	2007
	HK$'000	*HK$'000*
United States of America	**327,217**	283,971
Europe	**9,613**	21,538
Asia	**7,542**	40,106
Australia	**1,465**	1,505
Others	**8,251**	5,031
	354,088	352,151

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and prepaid land premiums, analysed by the geographical area in which the assets are located:

	Carrying amount of assets		**Additions to property, plant and equipment and prepaid land premiums**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China	**207,057**	175,345	**47,973**	17,033
Hong Kong	**33,630**	35,968	**525**	6,056
Thailand	**20,424**	21,807	**–**	–
Total segment assets	**261,111**	233,120	**48,498**	23,089
Unallocated corporate assets	**16,258**	19,411		
Consolidated total assets	**277,369**	252,531		

2. OTHER REVENUE AND NET INCOME

	2008	2007
	HK$'000	*HK$'000*
Other revenue		
Interest income	**117**	238
Sale of scraps materials	**972**	1,080
Sundry	**727**	654
	1,816	1,972
Other net income		
Exchange gains, net	**436**	516
Gain on disposal of property, plant and equipment	**439**	–
Reversal of impairment loss on amount due from an associate	**–**	2,099
	875	2,615

3. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	2008	2007
	HK$'000	*HK$'000*
Implied interest on financing the acquisition of property, plant and equipment	**718**	174
Interest on bank loans wholly repayable within five years	**2,907**	3,042
Interest on loans from other financial institutions wholly repayable within five years	**168**	–
Interest on amounts due to directors	**327**	380
Interest on other short/long term loan	**235**	40
Finance charges on finance leases	**399**	524
	4,754	4,160

(b) Staff costs:

	2008	2007
	HK$'000	*HK$'000*
Salaries, allowances and other benefits	**88,686**	89,498
Contributions to defined contribution retirement plans	**611**	779
Provision for long service payments	**250**	82
	89,547	90,359

(c) Other items:

	2008	2007
	HK$'000	*HK$'000*
Auditor's remuneration	**488**	457
Amortisation of prepaid land premiums	**183**	180
Cost of inventories sold *(note)*	**315,789**	314,890
Cost of temporary textile quota entitlements	**4,214**	1,900
Depreciation of property, plant and equipment	**22,440**	16,279
Impairment loss on trade receivables	**167**	2,011
Loss on disposal of property, plant and equipment	**–**	38
Operating lease rentals: minimum lease payments		
– property rentals	**694**	936
– plant and machinery	**179**	4,126
Provision for inventories	**2,628**	644

Note: Cost of inventories includes HK$95,377,000 (2007: HK$90,939,000) relating to staff costs, depreciation and amortisation expenses, operating lease payments and provision for inventories, which amount is also included in the respective total amounts disclosed separately above or note 3(b) for each of these types of expenses.

4. INCOME TAX

The charge comprises deferred tax charge of approximately HK$245,000 (2007: HK$50,000).

No provision for Hong Kong Profits Tax has been made in the financial statements for both years as the companies in the Group have no assessable profits, have estimated tax losses or have agreed tax losses brought forward in excess of the estimated assessable profit.

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

	2008	2007
	HK$'000	*HK$'000*
Profit before taxation	**902**	1,086
Less: Profit of an associate	**(699)**	(2,139)
	203	(1,053)
Notional tax/(tax credit) at Hong Kong Profits Tax rate of 17.5% (2007: 17.5%)	**36**	(184)
Tax effect of expenses not deductible for tax purpose	**3,244**	3,408
Tax effect of income not taxable	**(3,470)**	(3,962)
Tax effect of tax losses not recognised	**759**	1,316
Utilisation of tax losses previously not recognised	**(324)**	(528)
Actual tax expense	**245**	50

5. DIVIDEND

The Directors do not recommend the payment of dividend for the year ended 31 March 2008 (2007: HK$ nil).

6. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders of the Company of HK$657,000 (2007: HK$1,036,000) and on 236,402,000 (2007: 236,402,000) ordinary shares in issue during the year.

The diluted earnings per share has not been presented as there were no potential dilutive ordinary shares in existence during the two years ended 31 March 2008 and 2007.

BUSINESS REVIEW

For the year ended 31 March 2008, the Group recorded a turnover of approximately HK$354 million, an increase of HK$2 million over the previous year. While China undergoes rapid changes in its economic terrain, the Group maintained the profitability of HK$0.657 million as compared with the previous year's profit of HK$1.036 million. This stable performance despite the recent inflationary pressures in China and the slow-down in the economy of the United States can be attributed to the Group's strength as a high-end knitwear garment manufacturer.

In recent years, the economics of producing in China have undergone significant changes. The continuing rise of the cost of raw materials, the rise of the Renminbi, the new labor law that was enacted in 2007, and the labor shortage in southern China, all contributed to a higher cost structure of doing business in China. The Directors are pleased to report that against such adverse development, the Group's strategic focus on high margin products, coupled with stringent cost control measures have enabled the Group to continue to maintain a stable and profitable operation.

As the Directors have reported in previous years, the Group's increasing reliance on computerized knitting machinery has been the single most important strategy in countering the labor shortage and rising labor cost issues in southern China. Currently, the Group operates with over 370 pieces of computerized machinery. That the automatic process division generated approximately 50% of all sales once again proves the effectiveness of the automation process. The automated production process has also led to better control of subcontracting charges that have contributed to high production costs in the past. The ability of the Group to continue to maintain profitable operations throughout these recent years of rising production cost in China is a clear sign of the Group's strength in sustaining a competitive position in being a knitwear manufacturer.

ANALYSIS OF RESULTS

Turnover

For the year ended 31 March 2008, the Group experienced a modest increase in its turnover from HK$352 million in the previous year to approximately HK$354 million. This year's increase in sales mirrors the Group's success achieved in the past 2 years; it further demonstrates the Group's commitment towards the controlled growth policy. The Group opened with a strong start in the year ended 31 March 2008, reporting a 6% higher turnover in the first six months ended 30 September 2007 compared to that in the previous year. This was important for counterbalancing the anticipated fall in sales during the off-peak season and ensuring that the Group would be able to realize an overall positive growth in its turnover.

One of the reasons for the stable increase in the Group's turnover is its investment in computerized knitting machinery. Throughout the year, the Group purchased 131 additional sets of computerized machinery. In addition, its automatic production division operated at close to full capacity. As a result, sales of products made by computerized knitting machinery now account for approximately 50% of total sales of the Group. The consistent performance of the automated machinery and the ability of machines to handle complex patterns have reinforced the Group's reputation as a high-end knitwear manufacturer. The Group's emphasis on automated production could not come at a more opportune time with the unabated labor shortage problem in southern China. It is on the strength of these 300 plus computerized knitwear machinery that the Group's development to become a high-end knitwear manufacturer is founded.

Sales to US customers have remained the major market of the Group relative to total sales, as sales to the US in the year ended 31 March 2008 came to 92% of the total sales of the Group, representing an increase of 15% over the previous year. The increase sales in the US was caused by one customer refocusing on its sales to the US markets.

Profitability

The Group recorded a net profit of HK$0.657 million for the year ended 31 March 2008. Although labor and raw material costs have also increased, their effects on net profit were minimal. The Group offset the effects of higher costs by strengthening its system to control wastage and to improve the efficiency of its labor force. Furthermore, the result of a higher turnover this year stabilized gross profit at approximately the same amount as in the year ended 31 March 2007. Consequently, the Group managed to sustain a similar gross margin as the previous year, of approximately 10.8% (2007: 10.6%).

During the year ended 31 March 2008, the Group experienced an increase in selling expenses primarily as a result of higher quota charges which were incurred because of the introduction of a more stringent quota system due to foreign pressures to regulate exports from China. Quota expenditures increased from approximately HK$1.9 million in the year ended 31 March 2007 to HK$4.2 million in the year ended 31 March 2008. Finance costs also rose by approximately HK$0.6 million due to the use of banking facilities. Throughout the year, the Group incurred a total of HK$5 million in interest charges (2007: HK$4 million).

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2008, total amount of cash and cash equivalents of the Group were approximately HK$10 million, representing a decrease of 8% as compared to 31 March 2007. Most of the funds were held in Hong Kong dollars and US dollars. As at 31 March 2008, the Group was in a net current liability position of HK$22 million (31 March 2007: net current asset of HK$3 million). One of the reason for the net current liability position at year end was that under the terms of purchasing the latest order of computerized knitting machinery, the Group was required to pay the vendors within 12 months of the end of the year. In the period subsequent to the financial year end date, however, the Group has obtained an approval from a bank to finance the payables by way of interest bearing borrowings, converting such liability into a long term debt. The conversion of the character of such liability would improve the liquidity of the Group.

In the year ended 31 March 2008, the Group acquired property, plant and equipment totalling HK$48 million. Due to the significant capital expenditures, the Group's use of banking facilities reached HK$61 million. In addition, the Group also had obligations under finance leases totalling HK$6 million. The Group has available banking facilities totalling HK$130 million (31 March 2007: HK$113 million) which were secured by corporate guarantees given by the Group. The Group's gearing ratio computed as total borrowings over shareholders' fund was 55% as at 31 March 2008 (31 March 2007: 49%).

The Group's sales were principally denominated in US dollars while purchases were transacted mainly in Hong Kong dollars and US dollars. The Group's expenditures in China, the location of its production facilities, are denominated in the Chinese Renminbi. In 2007, the Renminbi has risen by about 10.3% relative to the Hong Kong dollars and by 10.7% relative to the US dollars. By improving the efficiency of its labor force and placing more reliance on computerized machinery, the Group is able to deflect the effect of the rising Renminbi and maintain a consistent cost structure.

The Group's borrowings and cash balances were principally denominated in Hong Kong dollars. No financial instruments were used for hedging purposes.

DIVIDENDS

The Directors have resolved not to recommend the payment of any dividend for the year ended 31 March 2008 (2007: HK$ nil).

CHARGE ON GROUP ASSETS

As at 31 March 2008, certain machinery of the Group with a carrying amount of approximately HK$46 million (2007: approximately HK$2 million) and certain leasehold properties of the Group in Mainland China with a total carrying amount of approximately HK$69 million (2007: HK$ nil) were pledged to secure the interest-bearing borrowings of the Group.

FINANCIAL GUARANTEES ISSUED

At 31 March 2008, the Group had issued corporate guarantees of approximately HK$326,000 (2007: HK$1,648,000) issued in favour of third parties.

At 31 March 2008, the Company had issued corporate guarantees to banks and other financial institutions in connection with facilities granted to certain of its subsidiaries amounting to approximately HK$130 million (2007: HK$146 million).

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

At 31 March 2008, 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$61 million (2007: HK$49 million).

CAPITAL EXPENDITURES AND COMMITMENTS

During the year ended 31 March 2008, the Group had incurred capital expenditures of HK$48 million (2007: HK$23 million).

Capital commitment outstandings at 31 March 2008 not provided for in the financial statements were as follows:

	2008	2007
	HK$'000	*HK$'000*
Authorised and contracted for		
– acquisition of property, plant and equipment	**14,430**	–

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2008, the Group had approximately 316 (2007: 389) employees. The Group's remuneration package is structured to commensurate with individual responsibilities, qualification, experience and performance.

FUTURE PROSPECTS

In recent years, the changing economics and circumstances of doing business in China have led to many factories in the southern China region either relocating or in fact ceasing operations. This change in the composition of the industry has given the opportunity for a manufacturer with the strength of our Group to survive and flourish. The Group believes that the solid foundation that it has built with its own factory and its experience and expertise as a manufacturer will enable it to extend its growth in the knitwear market.

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.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 19 August 2008 (Tuesday) to 26 August 2008 (Tuesday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the forthcoming annual general meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 18 August 2008 (Monday).

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 three members, all of whom are independent non-executive Directors.

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 2008.

REMUNERATION COMMITTEE

The Remuneration Committee was formed on 23 March 2005 to review and determine the remuneration packages of all Directors and senior management. The Remuneration Committee comprises of three independent non-executive Directors and one executive Director. During the year, the remuneration committee reviewed the senior management's salaries and approved their salary level.

NOMINATION COMMITTEE

The Nomination Committee was formed on 23 March 2005 to make recommendations for all appointment and re-appointment of Directors. The Nomination Committee comprises of three independent non-executive Directors and one executive Director.

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 2008.

CORPORATE GOVERNANCE

The Directors are pleased to report that throughout the year ended 31 March 2008, the Company was in substantial compliance with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the "**Code**"). In particular, the Company has ensured that:

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

are in compliance with the Code.

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

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

The Company's annual report containing all information required by the Listing Rules will be despatched to shareholders and published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.paktak.com in due course.

On behalf of the Board
Victor Robert Lew
Chairman

Hong Kong, 18 July 2008

As at the date of this announcement, Mr. Cheng Kwai Chun, John, Mr. Lin Chick Kwan and Mr. Lin Wing Chau are Executive Directors; Mr. Victor Robert Lew is the Non-executive Director; Ms. Ko Hay Yin, Karen, Mr. Chow Chan Lum and Ms. Ho Man Yee, Esther are Independent Non-exeutive Directors.

* *for identification purposes only*