

FINANCIAL REVIEW

For the six months ended 30 September 2005, Tack Fat recorded a growth in both turnover and net profit primarily as a result of continued improvement in operations as well as profits contributed from the associate, Mudd (USA) LLC. Turnover increased from HK\$746,948,000 for the first half of last year to HK\$773,451,000, representing an increase of 3.5%. Gross profit remained steady at HK\$182,356,000, as compared to HK\$181,655,000 in the corresponding period of the previous year. Profit attributable to equity holders of the Company increased by 16.1%, from HK\$61,093,000 to HK\$70,935,000.

Due to increased market competitions in the period, lower gross profit margin of 23.6% was recorded.

The Board of Directors has resolved to declare an interim dividend of HK1.2 cents per share. (1H 2004/05: HK1.2 cents).

Liquidity, Financial Resources and Capital Structure

The Group's financial position remained healthy. As at 30 September 2005, the Group's total assets were HK\$1,800,333,000 and total current assets HK\$851,980,000. As at that date, the Group's non-current and current liabilities totaled HK\$371,904,000 and HK\$639,758,000 respectively.

The gearing ratio, calculated by dividing the Group's total liabilities by its total assets, was 56.1% (31 March 2005: 59.5%). The Group's total bank borrowings amounted to HK\$651,049,000. Most of the bank's borrowings are denominated in Hong Kong dollars and US dollars with floating interest rate.

Cash Flow

Net cash inflow in the amount of HK\$48,144,000 was generated from operating activities, reflecting primarily growth in the Group's core business. There was a slight decrease in cash and cash equivalents amounted to HK\$15,541,000, resulting primarily from the repayment of borrowings.

Employees

As at 30 September 2005, the Group employed over 15,000 full time employees in Hong Kong, Cambodia and the PRC. The Group remunerates its employees based on performance and experience.

Exposure to Fluctuations in Exchange Rates

Most of the Group's assets and liabilities are denominated in Hong Kong dollars, US dollars and Renminbi, which were relatively stable during the year. The Group is not exposed to material exchange risks.

Contingent Liabilities

There have been no significant changes in the Group's contingent liabilities since 31 March 2005.