UNAUDITED INTERIM RESULTS FOR SIX MONTHS ENDED 30 SEPTEMBER 2002

Review of Operations

Business Review

For the six months ended 30 September 2002, Pak Tak International Limited (the "Company") and its subsidiaries (collectively the "Group") have continued to record a steady growth in turnover with 14% increase as compared to the same period in the last financial year. This growth can be largely attributed to the Group's commitment to provide high quality products and timely delivery to its customers.

However, with the uncertain economic environment and volatile consumer confidence in the United States, the principal market of the Group, the Group faced challenging market conditions during the six months period under review. As a result of such factors as deferral of orders by customers, shortening of order lead time by customers in anticipation of the impending strike at the west coast container terminals of the United States, complex knitting and coloring requirements from customers, the Group's production cost climbed steeply, leading to a drop in the overall performance during the period under review.

For the six months ended 30 September 2002, the Group recorded an interim net loss of HK$16.5 million. The loss resulted from an increase in freight charges and sub-contracting charges. The increases reflected the conscious decision of the Group to ensure that all customer orders, including those that were once deferred, received late, complex, volatile, or difficult were fulfilled. With the completion of the establishment of a production facility in Ho Chi Minh City in Vietnam during the period under review, the Group's overall production capacity was about 100,000 dozens of garments per month during peak season. However, with the increase in orders involving complex knitting and coloring requirements from the United States customers and also the different style specification from European customers, the expanding market of the Group, the Group diverted a significant amount of production capacity to meet these orders. As a result of the pressure on its production capacity, the Group was compelled to place more reliance on sub-contractors to complete its shipments. Further, to ensure that customer demands were fulfilled and shipments would arrive in time, many shipments were by air-freight instead of by sea. All these factors led to a higher production cost of the Group.

The Group strongly believes that its ability to meet shipment dates and to fulfill customer orders, while at the same time maintaining quality, attests to its commitment to its customers. This dedication will stand in good stead in fostering long-term customer relationship and strengthening customers' confidence on the Group's capability. The directors of the Company (the "Directors") are also confident that the Group's ability to weather this uncertain period attests to its strength as a major knitwear manufacturer. When the economy recovers, the Group has no doubt that it will be able to leverage this reputation to further positive growth. The loss that the Group suffered in the six-month period ended 30 September 2002 can be viewed as an investment for maintaining its competitive position and building up its reputation in the new European market.

Turnover

The Group's turnover for the six months ended 30 September 2002 increased significantly by 14% to HK$295.8 million, from HK$259.1 million in the corresponding period of 2001. The growth in turnover resulted from the aggressive marketing effort of the Company. The growth came principally from the increase by 22% in turnover of knitted-to-shape garments from HK$233 million to HK$285 million for the six months ended 30 September 2002. This segment of the business now represents 96% of the Group's total sales. Turnover of non knitted-to-shape garments for the six months ended 30 September 2002 decreased to HK$6 million from HK$20 million in the corresponding period of 2001, representing a decrease of 70%. One of the major causes for the change in the Group's sales pattern in 2002 was the receipt by the Group of more knitted-to-shape garment orders involving sewing, a process that involved workers responsible for non knitted-to-shape garments. As the Group diverted its resources to meet the requirements of these orders, it accepted less orders for non knitted-to-shape garments. Turnover of sub-contracting income decreased from HK$6.8 million to HK$4.6 million for the six months ended 30 September 2002. The decrease is consistent with the Group's continuous effort to reserve more of its capacity for serving direct clients.

During the period under review, the Group's sales to United States customers increased by approximately 9% to HK$261 million. Sales to the United States now represent 88% of the Group's total sales as compared to 93% in the last corresponding period. The drop reflected the effort of the Group to diversify its customer base to European and Asian markets.

Profitability

For the six months ended 30 September 2002, the Group recorded a net loss of HK$16.5 million as compared to a net profit of HK$31 million in the corresponding period in 2001.

The loss in the six months ended 30 September 2002 resulted from an increase in the cost of production as gross profit margin dropped from 28.8% to 9.5% in the comparative periods. Two main items in the cost of production increased substantially in 2002: sub-contracting charges and freight charges. Both increases resulted directly from the pressure on the Group's production capacity in the six-month period in 2002. The Group's main production facilities at Pak Tak Industrial City in Kiu Tou , Dongguan, the People's Republic of China ("PRC"), the factory premises in Pu Ning, Chaozhou City, the PRC, and the factory at Thailand were all operating at full capacity during the peak season. However, during certain months of the period under review, demands for shipments exceeded capacity. Compounding the increase in sales volume and complex production requirements of certain customers' orders was customers' uncertainty as to economic performance and consumers' demands. Many customers had placed orders, withdrew them, and then reinstated them later when it turned out that consumer demands had not abated. In order to ensure that all shipment dates were met, the Group endeavored to process as many orders as possible. The Group resorted to outsource its production to many sub-contractors at high cost, and where necessary to ship goods by air-freight. As a result, freight charges increased by HK$11.4 million, and sub-contracting charges increased by HK$32.5 million, representing increases of 291% and 107% respectively, over the corresponding period of last year.

The administrative and selling expenses for the six months ended 30 September 2002 increased by HK$3.3 million and HK$3 million respectively, as compared with the expenses for the six months ended 30 September 2001. The increase in administrative expenses was principally due to a large claim of HK$2 million resulting from the problem with the yarn of a particular shipment. The increase in selling expenses was due to the increase in use of quota resulting from the increase in shipments.

Liquidity and Financial Resources

Although the Group recorded a loss for the six months ended 30 September 2002, it maintained a strong liquidity position at 30 September 2002 with cash and bank balances of HK$36.6 million and net current assets of HK$83.8 million. The comparative figures for the year ended 31 March 2002 were HK$60 million and HK$120.9 million respectively.

Total borrowings and shareholders' funds of the Group at 30 September 2002 amounted to HK$15.8 million (at 31 March 2002: HK$0.7 million) and HK$200.3 million (at 31 March 2002: HK$227.6 million) respectively. The gearing ratio, being the ratio of total borrowings to shareholders' funds, was 8% (at 31 March 2002: 0.3%). The Group believes that this ratio, albeit higher than at 31 March 2002, was within industry standards.

The Group's borrowings were of short-term nature, carrying interests at floating rates. As interest rates remained at low level during the period, the Group's net finance cost for the period amounted to HK$0.5 million which was about the same as the balance of HK$0.6 million for the corresponding period of 2001.

The financial resources of the Group continue to be self-generating, as the Group operates with high liquidity ratios and without long term liabilities. At 30 September 2002, the Group obtained banking facilities amounting to HK$126 million (at 31 March 2002: HK$126 million), out of which HK$45.8 million had been utilized. All of the banking facilities were secured by corporate guarantee given by the Company. At 30 September 2002, the Group did not have any assets pledged for the banking facilities.

The Group's sales were principally denominated in US dollars while the purchases were transacted mainly in Hong Kong dollars and Renminbi. Borrowings and cash balances of the Group were principally denominated in Hong Kong dollars. Hence, there is no significant exposure to foreign exchange fluctuation and the Group had not found it necessary to make foreign currency hedging arrangements during the period under review.

Charge on Group Assets

At 30 September 2002, the Group did not have any assets pledged for general facilities.

Contingent Liabilities

At 30 September 2002, contingent liabilities of the Group arising from discounted bills with recourse amounting to HK$30,007,000 (at 31 March 2002: Nil).

At 30 September 2002, the Company had contingent liabilities in relation to corporate guarantees given to banks in connection with facilities granted to subsidiaries of the Company amounting to HK$126 million.

Capital Expenditures and Commitments

The development work of the factory in Thailand was still in progress at 30 September 2002. It is estimated that the development will be completed in early 2003. The total construction and development costs will be around HK$9.5 million, all of which will be financed by the proceeds from the listing of the shares of the Company in Year 2001 and working capital of the Group.

Based on the market conditions, the Group intends to expand its production capacity in the PRC factory during the peak season so that part of the production process, which is currently outsourced to sub-contractors, can be undertaken by the Group itself. It is expected that the Group will install additional machinery and the planned capital expenditure is approximately HK$600,000 which will be financed by the working capital of the Group.

Interim Dividend

The Directors do not recommend the payment of interim dividend for the six months ended 30 September 2002.

Employees and Remuneration Policies

At 30 September 2002, the Group had approximately 2,350 employees (at 31 March 2002: 1,300). Of the employees, approximately 1,000 were considered temporary employees engaged in the peak season of the Group. Competitive remuneration packages are structured to commensurate with individual responsibilities, qualification, experience and performance.

Use of Proceeds

In the year ended 31 March 2002, the Company listed its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), generating net proceeds of approximately HK$29 million. Of this amount, approximately HK$22 million was planned for financing the construction of factory premises in both Thailand and PRC and set up sales office in United States, the remaining proceeds used as working capital of the Group. As at 30 September 2002, approximately HK$13 million was utilized for capital expenditures as planned.

Future Prospects

In the Group's strenuous effort to fulfill different orders of its customers in the six-month period under review, it followed two principles: to maintain quality production and commitment to customers. The Directors believe that the Group's dedication to its customers and its ability to meet the challenge of the economic slow down in this period are qualities that are now well recognized by its customers, including new customers of its expanding European market. The Group has demonstrated its ability to build and sustain long term and stable relationships with its customers. The Group's growth in turnover is likely to continue in the future.

As the global economy is still uncertain, it is expected that placing of orders by the Group's customers will remain unstable in the second half of the financial year of 2002. The Group will use its best efforts to adjust its production resources so as to ensure that different orders will be completed in the most cost-effective way. With the completion of the production facilities in Thailand, the installation of additional machinery in the PRC and with the facilities in Vietnam becoming stabilized, the Directors are confident that the Group's production capacity will be able to handle the increase in volume.

The Group has made continuous efforts in cost saving. Armed with the new yarn testing equipment, the Group ensures that the purchased yarn will meet the high quality requirements of the Group and smoothen the production process to prevent the lengthening of order lead time. The Group will further improve its production efficiency by tightening the quality control of raw materials.

With the installation of the new machinery, the Directors expect that the Group can retake the production process that has been outsourced to sub-contractors. By keeping sub-contracting charges at a relatively low level, the Directors expect that profits will return and be maintained at a relatively stable margin.

The Group will also carry out in-depth training aimed at improving the Group's capability when receiving orders at short notice. The Group has installed a new resources management computer system to centralize all production data of its PRC, Thailand and Vietnam factories, optimize the allocation of production resources and logistics and provide management with the most up-to-date status of customers orders. The new computer system will be put into operation by different stages and the Hong Kong office and PRC factory have started the implementation of this system. It is expected that with the full integration and operation of the system in the near future, the Group will further enhance and improve its production planning so as to meet the challenge imposed by volatile market conditions.

Directors' Interests in Securities

At 30 September 2002, the interests of the Directors and their associates in the securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance, Chapter 396 of the Laws of Hong Kong (the "SDI Ordinance")) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

	Number of ordinary shares held		
Name of directors	Personal interests	Corporate interests	
Mr Cheng Chi Tai	–	27,360,000	(Note 1)
Mr Cheng Kwai Chun, John	–	120,840,000	(Note 2)
Mr Lin Chick Kwan	7,980,000	–	
Mr Lin Wing Chau	7,980,000	–	
Ms Yip, Galy Ka Lai	–	120,840,000	(Note 3)

Notes:

1. These shares are held by Best Ahead Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr Cheng Chi Tai.

2. These shares are held by Pictet Overseas Trust Corporation Limited, the trustee of The Cheng Family Holding Trust, the discretionary beneficiaries of which include Mr Cheng Kwai Chun, John and his son who is under the age of 18. Pictet Overseas Trust Corporation Limited is incorporated in the Commonwealth of Bahamas.

3. These shares are held by Pictet Overseas Trust Corporation Limited, the trustee of The Cheng Family Holding Trust, the discretionary beneficiaries of which include Mr Cheng Kwai Chun, John, the spouse of Ms Yip, Galy Ka Lai and their son who is under the age of 18.

Substantial Shareholders

At 30 September 2002, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses the following persons as having an interest of 10% or more in the issued share capital of the Company:

Name	Number of shares held	Percentage held
Pictet Overseas Trust Corporation Limited (Note 1)	120,840,000	approximately 51.12%
Best Ahead Limited (Note 2)	27,360,000	approximately 11.57%
Mr Cheng Chi Tai (Note 2)	27,360,000	approximately 11.57%

Notes:

1. Pictet Overseas Trust Corporation Limited is incorporated in the Commonwealth of Bahamas and is the trustee of The Cheng Family Holding Trust, a discretionary trust, the beneficiaries of which are Mr Cheng Kwai Chun, John, the Director, and other family members of Mr Cheng Chi Tai.

2. Best Ahead Limited is incorporated in the British Virgin Island, the entire issued share capital of which is beneficially owned by Mr Cheng Chi Tai.

Purchase, Sale and Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold, or redeemed any of the Company's listed securities during the six months ended 30 September 2002.

Audit Committee

The Audit Committee has reviewed with management and the auditors the accounting principles and practices adopted by the Group and discussed the unaudited financial statements for the six months ended 30 September 2002.

The interim financial reports have been reviewed by the Company's auditors.

Mr. Ho Kai Wa, Francis, being an independent non-executive Director and a member of the Audit Committee, resigned from his office on 27 July 2002. Mr. Chow Chan Lum was appointed to replace Mr. Ho Kai Wa, Francis, as an independent non-executive Director and a member of the Audit Committee as from 23 October 2002. During the period from 27 July 2002 to 22 October 2002, Ms. Ko Hay Yin, Karen was the only member of the Audit Committee; there was, however, no meeting of the Audit Committee held during the period.

Code of Best Practice

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not, for the six months ended 30 September 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

On behalf of the Board
Cheng Chi Tai
Chairman

Hong Kong, 17 December 2002