

CHAIRMAN'S STATEMENT

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 2003.

BUSINESS REVIEW

Last year was another difficult year for the global economy. This was also true for the Group. In order to navigate through such a difficult environment, we continued our efforts in cost saving and adjusted our production resources so as to ensure that different orders were completed in time. Within the first few months of the financial year of 2003, the Group received over 75% of total sales orders of those of the previous year. Therefore, in our 2002 annual report, we were optimistic that the Group would have further growth in the next financial year.

However, the strike at the west coast container terminals and the sign of slowing economies in the United States as a result of the potential outbreak of war and terrorist attack affected our growth momentum. We knew that we worked under harsh economic conditions. On the approach of war, customers were more cautious in placing orders with us. In light of the situation, our marketing team tried their best endeavours to extend our clientele to solicit orders not only from existing customers but also from new customers, in particular, customers from Europe, the expanding market of the Group. Thanks to the

effort of our marketing team, the total turnover of the Group generated for the year ended 31 March 2003 only showed a slight decrease of approximately 4% from HK\$431 million to HK\$414 million.

Nevertheless, facing with the increasing uncertainty of the global political and economic situation and the strike at the west coast container terminals of the United States, customers took a more conservative attitude in ordering goods. Deferral of orders and shortening of order lead-time were the common phenomena of last year. As a result of which, the Group had to place more reliance on outside sub-contractors to complete its orders. Further, to ensure that shipments would arrive in time, many shipments were by air-freight instead of by sea. All these factors led to higher costs of the Group.

Last year also demanded some difficult decisions by us. One example was the payment of HK\$2 million for the share of compensation to a customer resulting from defective products which arose from the problem of the yarn and product design of a particular shipment. The other example was the provision of HK\$4.1 million for slow moving or obsolete yarn stock. As the Group placed more reliance on outside sub-contractors to complete orders during the period under review and in order to uphold our philosophy of "quality products, good value and timely delivery", we faced with the challenge to minimize the delay in the production of outside sub-contractors. To ensure that orders be completed in time, the yarn provided by us to outside sub-contractors would usually be

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more than sufficient for their production. This led to the pile up of spare yarn. As each customer has their own unique requirement for the colour of yarn, any unused dyed spare yarn can seldom be re-used in next production. As a result, the Group had to make provision of HK\$4.1 million for slow moving or obsolete yarn stock.

We failed to reach our projected growth. For the financial year ended 31 March 2003, the Group recorded a net loss of HK\$39 million as compared to net profit of HK\$44 million in 2002. We, in particular our management, are all disappointed with the results achieved by the Group. Nevertheless, we will not be hard hit by this. We believe that our philosophy will guide us through the hardship. In order to move ahead in this tough environment, we have taken steps to further reduce our costs, to review and monitor the production more frequently to ensure that we can finish production at short notice in view of the increasing trend of customers to shorten order lead-time. All in all, despite the extremely competitive and uncertain operating environment, we hope that by taking the above measures, we can return to the track of maintaining growth in the long term.

The Group has taken positive measures to react to market changes. However, no one knows whether the tough environment will last a long time. The Company believes that to strengthen the balance sheet is in the interest of its shareholders. In this connection, the Directors do not recommend declaration of dividend for the year ended 31 March 2003. However, our objective remains to pay dividend when the Group's earning, financial condition, cash requirements and availability and all other relevant factors justify to do so.

RESULTS HIGHLIGHTS

The results highlights for the year ended 31 March 2003 are as follows:

- Turnover decreased by 4% to HK\$414 million(2002: HK\$431 million);
- Net loss for the year: HK\$39 million (2002: net profit of HK\$44 million);
- Loss per share HK17 cents (2002: earnings per share HK22 cents); and
- At 31 March 2003, the Group's net current asset position decreased 57% to HK\$52 million, representing a current ratio of 2.4 (2002: 4.4).

LOOKING FORWARD

Last year, our aim was to fulfill our commitment to clients and to move ahead in the tough and stormy environment. This year, we will continue to uphold our philosophy, to look for ways to improve the revenue of the Group, to spend cautiously and to manage efficiently. Backed by a healthy balance sheet and cash and bank balances of HK\$17 million, we believe that the hard work of us will be rewarded with customer loyalty and long term growth of the Group. What has not changed is that our foundation is still solid and it will enable us to turn opportunities into better returns for our shareholders and employees when the conditions improve.

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On behalf of the Board, may I take this opportunity to extend my sincere thankfulness and appreciation to all our shareholders, customers, suppliers and business partners for their continual support and faith in the vision of the Group and to our management and staff for their hard and diligent work.

Cheng Chi Tai

Chairman

Hong Kong, 9 July 2003