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 31st March, 2004.

BUSINESS REVIEW

Conditions of the global economy were certainly difficult for the past year. Against the backdrop of a continuing weak economy, the business environment was further frustrated by the outbreak of war between US and Iraq. As a result of which, overall market sentiment and confidence, especially in US, the major market of the Group, were visibly adversely affected. In addition, in view of the increasing number of terrorist attacks, there was a strong demand for the implementation of better and more anti-terrorist attack measures. This presented the Group with a particularly challenging environment in the financial year of 2003.

Despite the weak global economy and the extremely difficult business environment, solid progress was made towards achieving the Group's operational and financial goals in the financial year of 2003. By adapting a proactive and efficient cost control measures, the Group has demonstrated a strong ability to maintain its established market position while at the same time, better placed itself to increase shareholders value. The Group's gross profit margin significantly improved from 7.4% for the year ended 31st March, 2003 to 13.2% for the year ended 31st March, 2004. Loss for the year was HK$4,991,000 as compared to a restated loss of HK$38,219,000 for the year ended 31st March, 2003. These figures reveal the marked recovery of the Group which is attributable to the sound cost control strategy defined by the management and the consistently upholding and execution of the strategy throughout the Group.

Instrumental to this achievement was the continued triumph of the Group in gaining customers' confidence through our close contact with them so as to understand their needs and our consistent commitment in timely delivering high-quality products at competitive prices. In response to the requirements from US customers for better anti-terrorist attack measures, we had further tightened our security standard throughout the whole production process, from raw materials procurement to manufacturing to packaging and delivery. For the period under review, our management team had also restructured the production schedule, strategically solicited fewer orders and kept the need to outsource production under control. The combination of these measures enabled us to flexibly and speedily respond to the demand of our customers for shorter manufacturing time without having any significant impact on the production costs.

Customers nowadays are firmly committed to monitoring and improving conditions of the factories that manufacture clothes for them and protecting the rights of workers. Throughout the years, the Group's policy of treating workers with dignity and respect has already received widespread recognition in the industry and won reputation among our customers. Pak Tak Industrial City, our major production base in the PRC, has been awarded WRAP (Worldwide Responsible Apparel Production) since 2002. This production complex occupies a total area of approximately 70,000 m^2 with the living zone of workers occupies about half of the area. During the period under review, the Group had further improved the living environment of Pak Tak Industrial City. In addition, we also regularly review and revise our factory compliance code so as to meet the standards of our customers. We believe that good working and living environment not only help us to retain existing skillful workers and to recruit new workers, but are also important for us to keep good relationships with our customers who value workers' welfare.

The financial year of 2003 was also a year of innovation for the Group. We purchased a total of 83 computerized knitting machines for launching new production lines to enrich our products profile and offer our customers with a complete range of the most popular knitted-to-shape garments. Given other forms of trade restrictions, such as the "Product-Specific Safeguard" mechanism, are expected to be used for restraining the increasing imports of textile products from China after the removal of textile quotas in 2005, part of the computerized knitting machines are located in our expanded Hong Kong factory for producing garments with Hong Kong origin so as to diversify our production to minimize the risks associated with such trade restrictions. The expansion and restructuring of our Hong Kong production base will also better place the Group to seize the incredible opportunities offered by CEPA (Closer Economic Partnership Agreement). The use of computerized knitting machines is also consistent with our labor cost control policy. The computerized knitting machines have started operation in April 2004. It is anticipated that we will step up extra efforts to promote this line of product to become a key product category of the Group and a major contributor to our turnover growth in the long term.

Our Vietnam factory continued to operate under unfavourable condition in the second half of the financial year as the allocation of US quota to us was still not satisfactory since the implementation of the US quota system in July 2003. We expect that the condition may not be changed in the foreseeable future. In order to eliminate the potential negative impact of such business operation on the Group, we applied to close the Vietnam factory in March 2004.

Much work was done in the financial year of 2003 with the aim of making a significant and positive impact on shareholders value. Our management remains committed to put the Company in a position to pay dividend as and when it is justified to do so. The Group's 2003 results did not reflect the effect of the launch of our new production lines in April 2004. The management is seeking to maximize the potential return afforded by our new production lines and therefore, further investment in this aspect may be necessary. In view of the aforesaid and in order to maintain the Group's balance sheet at a healthy level, the Directors do not recommend declaration of dividend for the year ended 31st March, 2004. However, the management will continue to strive for future growth and increase return and maintain strict cost control to lift operational efficiency. We will continue to work diligently towards the objective of paying dividend.

RESULTS HIGHLIGHTS

The results highlights for the year ended 31st March, 2004 are as follows:

- Turnover decreased by 20.3% to HK$330 million (2003: HK$414 million);
- Net loss for the year: HK$4,991,000 (as restated 2003: net loss of HK$38,219,000);
- Loss per share HK2 cents (as restated 2003: loss per share HK16 cents);
- At 31st March, 2004, the Group's net current asset position decreased 12.8% to HK$45.5 million, representing a current ratio of 2.3 (2003: 2.4).

LOOKING FORWARD

Fueled by customer and industry recognition, we will continue to build on our solid foundation and seize future growth opportunities. With the continue improvement of the global economy, we are confident that the year ahead will be even brighter and we will leverage on our outstanding management team and talented staff to achieve solid growth in 2004.

On behalf of the Board, I would like to take this opportunity to extend my sincere thankfulness and appreciation to all our shareholders for their support, to our customers, suppliers and business partners for their trust and confidence and to our management and staff for their outstanding efforts and dedication.

Cheng Chi Tai
Chairman

Hong Kong, 7th July, 2004