Pak Tak International Limited
百德國際有限公司

INTERIM REPORT 2004

Contents

REVIEW OF OPERATIONS

Business Review

The board of directors (the "Directors") of Pak Tak International Limited (the "Company") has the pleasure of presenting the interim report and the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the six months period ended 30 September 2004.

The Group delivered relatively stable performance on the Group's sales for the six months ended 30 September 2004. This was achieved despite a difficult global business environment amidst a change in the interest rate cycle and the persistent price pressure on garment products in the industry. The results demonstrated that we have built on our solid foundation established for more than 35 years ago and our Company continues to make progress.

Turnover grew 4% to approximately HK$219 million as compared to HK$211 million for the corresponding period in 2003. The operation of the Group recorded another year of double-digit gross profit margin of approximately 15% (30 September 2003: 18%) despite the heavy price pressure in the garment industry. As an OEM, we strengthened our positioning and enhanced our market share through consistent improvement in product quality and diversification and differentiation of products. The Group introduced the use of computerized knitting machines in April 2004 with the aim of offering our customers with a complete range of the most popular knitted-to-shape garments. Our effort paid off as anticipated. The market rewarded us with increased sales. The performance of the Group also reflected customer acknowledgement of our quality products. We will definitely make further progress in transforming the Group into one that adds value for our customers.

Nevertheless, the slow rebound of the world's economy and keen competition in the knit wear market together with a number of adversities which the Group faced during the period under review had affected the profitability of the Group. The Group's gross profit for this interim period was approximately HK$32 million (30 September 2003: HK$37 million). Net loss attributable to shareholders was approximately HK$2 million (30 September 2003: net profit of HK$10 million). The net loss suffered by the Group was mainly attributable to the increase in depreciation expenses and sub-contracting charges.

Depreciation expenses were approximately HK$6.5 million, 55% higher than last corresponding period. The higher depreciation was due mainly to the launching of new production lines and the associated capital expenditure.

Sub-contracting charges were approximately HK$40 million, representing an increase of 27% when compared to the corresponding period in 2003. The increase in sub-contracting charges was due to the shortage of labour in the Pan Pearl River Delta and the consequential surge of the workers' salary in the region. Higher sub-contracting charges resulting from increasing labour cost thinned the Group's profit margin and led to the net loss position of the Group. Nevertheless, as the computerized knitting machines have already commenced bulk production and these new production lines have been progressing on schedule, the management believes that this start-up business would help to control our labour cost in the long-term.

At the Group, we recognize our responsibilities to provide a safe and healthy environment for our workers. We have long understood that good factory compliance is not just a question of regulatory compliance, but is also a part of the Group's culture. By participating in the WRAP (Worldwide Responsible Apparel Production) Certification Programme, we aim to ensure the standardization of our factories' compliance practices. Through upholding the WRAP principles, we believe we create values and maximize returns not only to the Group but to all our workers. In addition to our Dongguan, PRC factory which has been awarded WRAP since 2002, we are pleased to announce that our Thailand and Hong Kong factories were also respectively accredited with the same in November 2004. Considerable efforts will continue to be devoted to identify and formalize the best practices according to the WRAP principles, thereby ensuring that all our productions are conducted in an ethical and a responsible manner.

Turnover

The Group's consolidated turnover for the six months ended 30 September 2004 recorded 4% growth to approximately HK$219 million, from HK$211 million for the corresponding period in 2003. During the period under review, knitted-to-shape garments continued to be the largest product division making up approximately 94% of the total turnover and recorded approximately 0.2% growth. Non knitted-to-shape garments also recorded approximately 153% turnover growth and represented approximately 3% of the total turnover.

We constantly undertake strategic review of our business and refine our product and marketing strategies to accommodate the specific needs of our customers. Working closely with the agents and buying houses, we will continue to bring quality and value to our customers.

During the period under review, US remained our core market. The Group's sales to US were HK$187 million (30 September 2003: HK$190 million). The slight decrease of sales in US was mainly due to our effort in diversifying the Group's sales to other regions, such as Asia and Europe, so as to gradually reduce the reliance on one particular market. We are anticipating an increase in the awareness of our Group in these markets through the strengthening of our sales network for these regions. Our expertise in products and sales, together with the intensification of awareness of our Group, will enable us to enhance our presence in Europe and Asia and establish a solid platform for future growth.

Profitability

In our 2004 annual report announcing our annual results ended 31 March 2004, we emphasized a number of measures to tackle the imposition of other trade restrictions after the removal of textile quotas in 2005. One of these measures is the purchase of computerized knitting machines for producing garments of Hong Kong origin. Six months later, we are pleased to report that all the computerized knitting machines located in our expanded Hong Kong factory have completed trial production and commenced bulk production in the first half of the 2004/2005 financial year. Contribution from these production lines is expected to be reflected in the final results of this financial year.

Nevertheless, depreciation expenses increased due to the addition of the computerized knitting machines. For the period under review, depreciation expenses were approximately HK$6.5 million, representing an increase of 55% when compared to HK$4.2 million for the same period last year. Further, due to the shortage of labour in the Pan Pearl River Delta, the Group had to outsource part of its productions at relatively higher price. As such, sub-contracting charges for the six months ended 30 September 2004 increased by 27% to approximately HK$40 million (30 September 2003: HK$32 million).

Due to the above, the unaudited net loss of the Group for the period under review was HK$2 million as compared to net profit of HK$10 million for the last corresponding period. However, despite the net loss recorded, the Group was able to maintain profit margin at double digit point of approximately 15%. The management believes that capitalizing on the synergies, value and benefits of the new production lines, the Group will be able to maintain the current profit margin in the second half of the financial year.

Liquidity and Financial Resources

As at 30 September 2004, the total amount of cash and bank balances of the Group were approximately HK$11 million, representing a decrease of approximately 33% when compared to 31 March 2004. Nevertheless, the management believes that the Group is still in a healthy liquidity position. Most of the funds were held in Hong Kong dollars and US dollars. As at 30 September 2004, net current assets were HK$12 million (31 March 2004: HK$46 million).

The Group will continue to finance its operations with its operating cashflow and available banking facilities of over HK$203 million, out of which HK$98 million had been utilized as at 30 September 2004. The banking facilities were secured by corporate guarantees given by the Company. The Group's gearing ratio computed as total borrowings over shareholders' fund was 51% as at 30 September 2004 (31 March 2004: 6.9%). The increase in the gearing ratio was mainly attributable to the increase in the Group's borrowings as a result of the purchase of the computerized knitting machines.

The Group's borrowings were of short-term nature, carrying interest at floating rates. As interest rates remained at low level during the period, the Group's finance cost for the period amounted to HK$0.4 million (30 September 2003: HK$0.3 million).

The Group's sales were principally denominated in US dollars while purchases were transacted mainly in Hong Kong dollars and US dollars. Borrowings and cash balances of the Group were principally denominated in Hong Kong dollars. No financial instruments were used for hedging purposes.

Interim Dividend

The Directors have resolved not to recommend the payment of any interim dividend for the six months ended 30 September 2004 (30 September 2003: Nil).

Pledge of Assets

As at 30 September 2004, certain machinery of the Group with an aggregate value of approximately HK$4 million (31 March 2004: Nil) was pledged to secure the banking facilities utilized by the Group.

Contingent Liabilities

As at 30 September 2004, contingent liabilities of the Group arising from discounted bills with recourse amounting to approximately HK$8 million (31 March 2004: Nil).

Capital Expenditures and Commitments

As at 30 September 2004, the Group had no significant capital expenditure incurred.

Employees and Remuneration Policies

As at 30 September 2004, the Group had approximately 1,860 employees (30 September 2003: 2,350). Our remuneration package is structured to commensurate with individual responsibilities, qualification, experience and performance.

Future Prospects

It is uncertain whether the rising interest rate environment will pose significant challenges to the global economy. However, it is certain that protective trade measures will be imposed by US to control the influx of PRC apparel imports after the complete phase out of textile quotas on 1 January 2005. It is expected that apparel importers will keep sourcing from countries other than PRC to hedge against the possible disruption of product flow as a result of the trade restraint measures. On the other hand, garment manufacturers are also becoming more cautious and conservative in accepting PRC orders so as to avoid the risks of not being able to deliver the products according to the client's schedule.

The key factor for our future growth depends on our ability to anticipate problem and to turn every challenge into opportunity. To cope with the imposition of other anti-dumping measures to restrain the import of textile products from PRC, we have expanded our Hong Kong production by the introduction of computerized knitting machines. The expansion of our Hong Kong production could minimize the risks associated with such trade restraint measures as products of Hong Kong origin are not likely to be the subjects of attack by US apparel manufacturers. Through the use of computerized knitting machines, we also differentiate and diversify our products so as to extend the breadth and depth of our product coverage to capture wider range of customers. Our increasingly flexible and efficient production will continue to support the growth of the Group and enable us to exploit additional opportunities that may be presented to the Group in the future. During the remainder of this financial year, we will continue to increase our efforts to enhance these new production lines and we believe that this investment will establish itself as a long-term core business and one of the profit contributors to the Group, bringing good returns to shareholders.

The garment manufacturing industry has reached a new level in which manufacturers have to exploit way to bolster their competitiveness. Our major challenge ahead is to adapt to the changing rules of the games. We will continue to strengthen our foundation for long-term growth and pursue investment opportunities that offer an acceptable return relative to the risks involved. The management is now actively opening up additional possibilities to maximize the Group's potential. The vastly untapped potential of our new production lines plus the prospects offered by the robust growth in the PRC markets should give us ample room for continuous growth.

With our firm commitment and uncompromising focus on quality and value, we are optimistic about the performance of the Group in the second half of the financial year. We believe that we have the right organization, the right products, the right marketing strategies and the right people to bring the Group to the next level.

Directors' Interests in Securities

As at 30 September 2004, the interests and short positions of each Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which would have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of Director	Number of Shares interested (Long Position)	Capacity	Approximate Percentage of the issued share capital of the Company
Mr. Cheng Chi Tai	(i) 38,314,280 *(Note 1)*	Corporate	16.20%
	(ii) 120,840,000 *(Note 2)*	Founder of a discretionary trust	51.11%
	(iii) 1,500,000	Family	0.63%
Mr. Cheng Kwai Chun, John	120,840,000 *(Note 3)*	Discretionary Object	51.11%
Mr. Lin Wing Chau	3,955,430	Personal	1.67%
Ms. Yip, Galy Ka Lai	120,840,000 *(Note 4)*	Family	51.11%

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. The directors of Best Ahead Limited are Mr. Cheng Chi Tai and Mr. Cheng Kwai Chun, John.

2. Theses shares are held by HSBC International Trustee Limited as the trustee of The Brighton Trust, a discretionary trust established by Mr. Cheng Chi Tai.

3. These shares are held by HSBC International Trustee Limited, the trustee of The Brighton Trust, the discretionary beneficiaries of which include Mr. Cheng Kwai Chun, John and his son who is under the age of 18. HSBC International Trustee Limited is incorporated in the British Virgin Islands.

4. These shares are held by HSBC International Trustee Limited, the trustee of The Brighton 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

As at 30 September 2004, so far as was known to the Director, the following persons had an interest or short position, other than the interests disclosed above in respect of Directors, in the shares or the underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any members of the Group:

Name	Name of Company	Number of shares held	Percentage held
HSBC International Trustee Limited	Pak Tak International Limited	120,840,000	approximately 51.11% *(Note 1)*
Best Ahead Limited	Pak Tak International Limited	38,314,280	approximately 16.20% *(Note 2)*
Ms. Amy Pik Sin	Pak Tak Knitting & Garment Factory (Thailand) Company Limited	1,000	10%
Mr. Nakorn Phisitchoowong	Pak Tak Knitting & Garment Factory (Thailand) Company Limited	1,000	10%
Miss Janphen Phisitchoowong	Pak Tak Knitting & Garment Factory (Thailand) Company Limited	1,000	10%

Notes:

1. HSBC International Trustee Limited is incorporated in the British Virgin Islands and is the trustee of The Brighton 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 Islands, the entire issued share capital of which is beneficially owned by Mr. Cheng Chi Tai. The directors of Best Ahead Limited are Mr. Cheng Chi Tai and Mr. Cheng Kwai Chun, John.

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 2004.

Audit Committee

The Audit Committee comprises all of the three independent non-executive Directors, namely Mr. Chow Chan Lum, Ms. Ko Hay Yin, Karen and Ms. Ho Man Yee, Esther.

The Audit Committee has reviewed and discussed with the management and the auditors of the accounting principles and practices adopted by the Group and the unaudited consolidated financial statements of the Group for the six months ended 30 September 2004.

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

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 2004, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

On behalf of the Board
Cheng Chi Tai
Chairman

Hong Kong, 6 December 2004

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2004

		Six months ended 30 September	
		2004	2003
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Turnover	3	**219,058**	211,426
Cost of sales		**(186,563)**	(173,960)
Gross profit		**32,495**	37,466
Other operating income	4	**829**	3,477
Administrative expenses		**(19,248)**	(16,257)
Selling expenses		**(16,047)**	(13,394)
(Loss) profit from operations	5	**(1,971)**	11,292
Finance costs	6	**(412)**	(347)
(Loss) profit before taxation		**(2,383)**	10,945
Income tax expense	7	**–**	(1,164)
(Loss) profit before minority interests		**(2,383)**	9,781
Minority interests		**–**	302
(Loss) profit for the period		**(2,383)**	10,083
		HK cents	*HK cents*
(Loss) earnings per share	9	**(1)**	4

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2004

	Notes	At 30 September 2004 HK$'000 (unaudited)	At 31 March 2004 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	10	**160,772**	128,796
Current assets			
Inventories		**54,353**	34,571
Trade debtors	11	**60,290**	12,805
Other debtors, prepayments and deposits		**9,443**	14,382
Amount due from an associate		**4,673**	1,984
Bank balances and cash		**10,594**	15,712
		139,353	79,454
Current liabilities			
Trade creditors	12	**25,359**	13,429
Bills payable		**6,778**	755
Other creditors and accrued charges	13	**36,593**	8,004
Amounts due to minority shareholders of a subsidiary		**2,705**	2,807
Bank borrowings, unsecured	14	**56,277**	8,879
Obligations under a finance lease		**67**	65
		127,779	33,939
Net current assets		**11,574**	45,515
Total assets less current liabilities		**172,346**	174,311

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

At 30 September 2004

	At 30 September 2004 **HK$'000** **(unaudited)**	At 31 March 2004 HK$'000 (audited)
Non-current liabilities		
Deferred tax liabilities	**482**	482
Provision for long service payment	**864**	864
Obligations under a finance lease	**59**	93
	1,405	1,439
	170,941	172,872
Capital and reserves		
Share capital	**23,640**	23,640
Reserves	**147,301**	149,232
	170,941	172,872

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2004

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Negative goodwill HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2003	23,640	5,987	32,680	1,232	264	113,981	177,784
Exchange differences arising on translation of overseas operations not recognised in income statement	–	–	–	–	188	–	188
Profit for the period	–	–	–	–	–	10,083	10,083
At 30 September 2003	23,640	5,987	32,680	1,232	452	124,064	188,055
At 1 April 2004	23,640	5,987	32,680	1,232	343	108,990	172,872
Exchange differences arising on translation of overseas operations not recognised in income statement	–	–	–	–	452	–	452
Loss for the period	–	–	–	–	–	(2,383)	(2,383)
At 30 September 2004	23,640	5,987	32,680	1,232	795	106,607	170,941

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2004

	Six months ended 30 September	
	2004	2003
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash used in operating activities	**(42,844)**	(1,997)
Investing activities		
Purchases of property, plant and equipment	**(9,372)**	(6,390)
Other investing cash flows	**144**	–
Net cash used in investing activities	**(9,228)**	(6,390)
Financing activities		
Bank borrowings raised, net	**47,398**	6,231
Other financing cash flows	**(444)**	(358)
Net cash generated from financing activities	**46,954**	5,873
Net decrease in cash and cash equivalents	**(5,118)**	(2,514)
Cash and cash equivalents at beginning of the period	**15,712**	16,951
Cash and cash equivalents at end of the period, represented by bank balances and cash	**10,594**	14,437

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2004

1. Basis of Preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. Principal Accounting Policies

The condensed financial statements have been prepared under historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2004.

3. Turnover and (Loss) Profit for the Period

The Group's turnover and loss for the six months ended 30 September 2004 by business segment (primary segment) are as follows:

	Turnover		(Loss) profit for the period	
	Six months ended 30 September		Six months ended 30 September	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	**HK$'000**	*HK$'000*
Sales of knitted-to-shape garments	**205,684**	205,227	**(1,616)**	8,388
Sales of non knitted-to-shape garments	**7,254**	2,869	**(2,008)**	(861)
Subcontracting income	**6,120**	3,330	**824**	288
	219,058	211,426	**(2,800)**	7,815
Other operating income			**829**	3,477
(Loss) profit from operations			**(1,971)**	11,292
Finance costs			**(412)**	(347)
(Loss) profit before taxation			**(2,383)**	10,945
Income tax expense			**–**	(1,164)
(Loss) profit before minority interests			**(2,383)**	9,781
Minority interests			**–**	302
(Loss) profit for the period			**(2,383)**	10,083

3. Turnover and (Loss) Profit for the Period *(continued)*

The Group's turnover for the six months ended 30 September 2004 by geographical market is as follows:

	Turnover Six months ended 30 September	
	2004	2003
	HK$'000	*HK$'000*
United States of America	**187,304**	190,803
Asia	**17,372**	8,879
Europe	**10,105**	8,783
Australia	**2,199**	1,326
Others	**2,078**	1,635
	219,058	211,426

4. Other Operating Income

	Six months ended 30 September	
	2004	2003
	HK$'000	*HK$'000*
Exchange gain	**–**	1,812
Interest income	**108**	140
Sundry Income	**721**	1,525
	829	3,477

5. (Loss) Profit from Operations

	Six months ended 30 September	
	2004	2003
	HK$'000	*HK$'000*
(Loss) profit from operations has been arrived at after charging:		
Amortisation of intangible asset included in administrative expenses	**–**	220
Depreciation and amortisation of property, plant and equipment	**6,466**	4,157

6. Finance Costs

The finance costs represent interest on bank borrowings wholly repayable within five years and charges on a finance lease.

7. Income Tax Expense

	Six months ended 30 September	
	2004	2003
	HK$'000	*HK$'000*
The charge comprises:		
Deferred tax charge:		
Current period	–	1,153
Attributable to increase in tax rate	–	11
	–	1,164

No tax is payable on the profit for period arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

8. Dividend

The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2004 (six months ended 30 September 2003: Nil).

9. (Loss) Earnings per Share

The calculation of (loss) earnings per share is based on the Group's loss of HK$2,383,000 for the period (six months ended 30 September 2003: profit of HK$10,083,000) and on 236,402,000 ordinary shares in issue (six months ended 30 September 2003: 236,402,000 ordinary shares in issue).

Diluted (loss) earnings per share has not been presented for either period because the Company does not have any dilutive potential ordinary shares.

10. Property, Plant and Equipment

During the six months ended 30 September 2004, the Group acquired property, plant and equipment at a cost of approximately HK$39,486,000 (six months ended 30 September 2003: HK$6,390,000).

11. Trade Debtors

The Group allows an average credit period of 30 days to its trade customers.

The following is an aged analysis of trade debtors:

	At 30 September 2004 *HK$'000*	At 31 March 2004 *HK$'000*
0 – 30 days	**38,314**	11,798
31 – 60 days	**16,220**	743
61 – 90 days	**3,334**	167
> 90 days	**2,422**	97
	60,290	12,805

12. Trade Creditors

The following is an aged analysis of trade creditors:

	At 30 September 2004 *HK$'000*	At 31 March 2004 *HK$'000*
0 – 30 days	**10,139**	8,714
31 – 60 days	**7,102**	3,940
61 – 90 days	**6,426**	642
> 90 days	**1,692**	133
	25,359	13,429

13. Other Creditors and Accrued Charges

At 30 September 2004, included in other creditors and accrued charges is an amount of HK$27,710,000, being payable in respect of the plant and machinery acquired during the period.

14. Bank Borrowings, unsecured

	At 30 September 2004 *HK$'000*	At 31 March 2004 *HK$'000*
Trust receipt loans	**34,408**	8,879
Export trade finance	**15,789**	–
Packing loans	**6,080**	–
	56,277	8,879

15. Capital Commitments

	At 30 September 2004 *HK$'000*	At 31 March 2004 *HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the financial statements	**90**	29,199

16. Pledge of Assets

At 30 September 2004, certain machinery of the Group with an aggregate carrying value of approximately HK$4 million (at 31 March 2004: Nil) were pledged to secure the banking facilities utilised by the Group.

17. Contingent Liabilities

At 30 September 2004, contingent liabilities of the Group arising from discounted bills with recourse amounted to HK$7,629,000 (at 31 March 2004: Nil).

18. Related Party Transactions

		Six months ended 30 September	
Name of related party	**Nature of transaction**	**2004** *HK$'000*	2003 *HK$'000*
Pak Tak (Kwong Tai) Knitting Factory Limited ("Pak Tak Kwong Tai") *(Note a)*	Sales of goods *(Note c)*	**6,844**	3,594
	Subcontracting income received *(Note d)*	**–**	62
	Interest income received *(Note e)*	**101**	123
Admiralty Pty Limited *(note b)*	Sales of goods *(Note c)*	**12**	1,162

Notes:

(a) Pak Tak Kwong Tai is an associate of the Company.

(b) Admiralty Pty Limited is owned by relatives of Cheng Chi Tai and Cheng Kwai Chun, John, the directors of the Company.

(c) The transactions were carried out at cost plus a percentage of profit mark-up.

(d) The subcontracting income received was determined at amounts mutually agreed by the parties involved.

(e) Interest income received was calculated with reference to the prevailing market rate.

Deloitte.
德勤

INDEPENDENT REVIEW REPORT

To the Directors of Pak Tak International Limited

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 9 to 19.

Responsibilities of Directors and Auditors

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review Work Performed

We conducted our review in accordance with Statement of Auditing Standards No. 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review Conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2004.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
6 December 2004