

## FINANCIAL REVIEW

For the six months ended 30 September 2004, Tack Fat recorded a promising double-digit growth in both turnover and net profit as a result of favourable industry development, sustainable economies of scale, improved operational efficiency and turnover derived from the exclusive manufacturing agreement with Mudd which commenced in the period. Turnover surged from HK\$442,682,000 for the first half of last year to HK\$746,948,000, representing an increase of 68.7%. Gross profit increased by 26.3% to HK\$181,330,000, as compared to HK\$143,545,000 in the corresponding period of the previous year. Profit attributable to shareholders increased by 40.9%, from HK\$43,121,000 to HK\$60,768,000.

Due to outsourcing of part of the Mudd orders amounting to approximately HK\$205,000,000 in the period, lower gross profit margin and net profit margin of 24.3% and 8.1% respectively were recorded.

The Board of Directors has resolved to declare an interim dividend of HK1.2 cents per share. (1H 2003/04: HK0.9 cents).

### Liquidity, Financial Resources and Capital Structure

The Group's financial position remained strong. As at 30 September, 2004, the Group's total assets were HK\$1,343,689,000 and total current assets HK\$944,234,000. As at that date, the Group's non-current and current liabilities totaled HK\$476,006,000 and HK\$280,592,000 respectively.

The gearing ratio, calculated by dividing the Group's total liabilities by its total assets, was 56.3% (31 March 2004: 55.4%). The Group's total bank borrowings amounted to HK\$562,225,000. 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\$68,600,000 was generated from operating activities, reflecting primarily growth in the Group's core business. The net increase in cash and cash equivalents amounted to HK\$126,446,000, resulting primarily from the drawn down of remaining balance of the syndicated loan facility of HK\$50,000,000 in April 2004, net cash inflow from investing activity of HK\$23,285,000 and strong inflow of operating cash.

### Employees

As at 30 September 2004, 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**

As at 30 September 2004, the Group had contingent liabilities of HK\$38,698,000 in respect of the bills discounted with recourse.

**ADDITIONAL INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES****Interim Results and Dividend**

The Board of Directors has declared an interim dividend of HK1.2 cents per share to shareholders whose names appear on the register of members of the Company at the close of business on 12 January 2005. The dividend will be paid on or about 4 February 2005.

**Closure of the Transfer Books and Register of Members**

The Transfer Books and Register of Members of the Company will be closed on 13 January 2005 on which day no transfer of shares of the Company will be registered.

In order to qualify for the entitlement of the proposed interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Tengis Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wan Chai, Hong Kong, not later than 4:00 p.m. on 12 January 2005.