DEAR SHAREHOLDERS,

On behalf of the board of directors (the "Directors") of Pak Tak International Limited (the "Company"), I present the annual results of the Company and its subsidiaries (together the "Group") for the financial year ended 31st March, 2005.

BUSINESS REVIEW

2004 is to be marked as the year in which the Group implemented its strategic plan of modernizing its production process. The business environment for exports from China faced immense changes and uncertainties due to the removal of textile quota system, the increase in production cost as a result of oil prices increased and the labor shortage in southern China. As such, the Directors believe that the Group must take bold steps to propel itself to a new level of production capability in order to meet the challenges of changes in the global economy.

China's textile quota system was removed effective from 31st December, 2004. This change, however, created much uncertainties. Many customers wanted to switch their shipment dates to fall after the quota termination date; prices were adjusted downward in order to provide for lower quota cost; the Group stocked up raw materials at the end of 2004 to prepare for quick orders of shipments in early 2005. Such changes in the seasonality of the Group's normal shipment schedules caused extensive disruption to its production process.

The Group's production cost was pushed upward due to the increase in raw materials and labor costs. The rise in oil prices to over US$50 per barrel caused a general increase in raw materials costs. The labor shortage in southern China also had a direct effect on the Group's production cost as the wages of the labor force increased by over 10% during the year.

Despite the difficult time, the Directors believe that the Group must move forward on its automation process. During the year, the Group acquired additional 77 pieces of computerized knitting machine. Over the next year, the Group plans to operate with 200 pieces of computerized machinery. The major benefits of the automated production process are that the computerized machinery requires only minimal labor input for producing stable high quality knitwear, it operates 24 hours a day and 7 days per week, and could be installed in Hong Kong in order to avoid any trade restriction measures that may be imposed against China. The Directors expect that such machinery will impact significantly in reducing the Group's reliance on labor and providing customers with a wider range of product mix.

During the year under review, the Group was able to hold onto its customer base. With the computerized machinery, the Group was able to receive orders for new products. For the year ended 31st March, 2005, the Group's shipment of garments increased by 18.6% in quantity over the previous year, revenue increased by 2.43% to HK$338 million. However, with the high production cost and large depreciation charges from the computerized machinery, the Group's profit margin was squeezed, resulting in a loss for the year of HK$29 million.

In order to secure the additional computerized machinery, the Group's financial resources will be directed to developing the facilities and buying new machines. The Directors firmly believe that this development plan will over the long run consolidate the Group's competitive position and strengthen its ability to grow and meet the challenges of the uncertainties in the global economy. In view of this plan, the Directors would recommend that no dividends be paid for the year.

RESULTS HIGHLIGHTS

The highlights of the results for the year ended 31st March, 2005 are as follows:

- Turnover increased by 2.43% to HK$338 million from HK$330 million for the year ended 31st March, 2004;

- Loss attributable to shareholders increased by 480% to HK$29 million from HK$5 million for the year ended 31st March, 2004;

- Loss per share increased by 500% to HK12 cents from HK2 cents for the year ended 31st March, 2004;

- At 31st March, 2005, the Group's net current asset position decreased to HK$2.8 million, representing a current ratio of 1.04 (2004: 2.34).

LOOKING FORWARD

There are two major external threats that create uncertainties in the entire textile market of China: the value of the Renminbi and the vast growth of exports from China since the removal of all quotas. As far as the Group is concerned, such uncertainties create opportunities with little impact on the Group's profitability. For the Renminbi appreciation, since all of the sales of the Group are denominated in the US dollars and most of the Group's purchases are made in US dollars, the effect of such appreciation on the Group's profit margin would be minimal.

Any renewed restrictions on exports from China may impact the Group's profitability. However, with the Group's customer base, the new computerized machinery setting up in Hong Kong, and the Group's production facilities in Thailand, the Group is confident that it is in fact better positioned than most other competitors in facing such threats. The Group sees its continuing strengths in product knowledge and improved production flexibility in enabling the Group to weather the current threats.

When the uncertainties from the global threats smoothen out, the Directors strongly believe that the Group's profitability will return.

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.

On behalf of the Board
Cheng Chi Tai
Chairman

Hong Kong, 11th July, 2005