



Mr. Kwok Wing, Chairman

Tack Fat will strive to provide quality and fashionable swimwear and casual wear worldwide to further solidify our industry position.

Amidst the backdrop of strong rebound of the global economy and improving consumer sentiment, Tack Fat Group International Limited and its subsidiaries ("Tack Fat" or the "Group") witnessed another year of satisfactory growth. During the year under review which ended 31 March 2005, the Group recorded robust growth in its core business and achieved remarkable development progress alongside with the flourishing global garment industry.

The removal of quota system from January 2005 brought forth immense potential, yet numerous uncertainties. Despite unfavourable impact of quota uncertainty, the Group successfully overcame different challenges and recorded encouraging growth in both turnover and profit attributable to shareholders, reaching 54.5% and 27.8% respectively and amounted to HK\$1,528,999,000 and HK\$154,719,000 respectively for the year under review.

Capitalizing on the global outsourcing trend, opportunities brought forth by market consolidation as well as extensive client base, the Group continued to strengthen its leading market position and solidified its development as a worldwide leader in swimwear and casual wear manufacturing industry. In addition, the Group implemented a series of measures with the view of expanding production capacity, enhancing overall competitiveness and establishing an ideal platform for propelling future growth.

During the year under review, North America remained as the Group's largest customer, contributing to 77.8% of total turnover, followed by Europe and other markets, accounting for 16.4% and 5.8% of the total turnover respectively. Meanwhile, the Group secured a number of contracts from new clients and received increasing sales orders in both swimwear and casual wear.

A wide-angle photograph of a bright blue ocean with white-capped waves under a clear sky, serving as the background for the top section of the page.

Chairman's Statement

To cater for the increasing customer demand, the Group endeavored to optimize utilization rate and expand manufacturing facilities and production lines while enhancing production capacity of swimwear, casual and sportswear. The Group also adopted stringent cost controls to further improve operational efficiency and achieve economies of scale.

While pursuing excellent product quality and meticulous service standards, the Group also took proactive yet prudent step in its business expansion. In April 2005, the Group completed the acquisition of 36% interest in Mudd (USA) LLC ("Mudd"), America's leading jeans wear brand for teenage girls and young ladies. It is expected that the successful acquisition will further strengthen the Group's core competencies and expedite its future growth. The Group is confident that its cooperation with the leading U.S. brand will become a future growth driver, generating profitable contribution to the Group.

Over the years, Tack Fat experienced robust development and became not only a worldwide leading manufacturer of swimwear and casual wear with enviable reputation, but also a prominent trademark of reliable quality. On behalf of Tack Fat, I would like to take this opportunity to express my heartfelt gratitude to our colleagues and staff members, for their exertions and continuing support which contributed to our unrivalled success to date. Let us join hands to create fruitful returns and to achieve another business height in the future!

For and on behalf of the Board,

Kwok Wing

Chairman

Hong Kong, 26 July 2005