

CHAIRMAN'S STATEMENT

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 31 March 2006.

BUSINESS REVIEW

I am pleased to report that the Group has experienced a turnaround in its profitability for the year ended 31 March 2006. After facing the difficult years in 2003 and 2004, the Group was successful in recording a profit of HK\$800,000 for this year. The profitability can be attributed to the cost cutting measures adopted by the Group in the last few years. In particular, the strategic move of automating the Group's production facilities by introducing more computerized knitting machinery has paid off in leading to the achievement of this year.

In terms of economic environment, the continuous economic growth of China has put immense pressure on production costs as the costs of raw materials of all kind and labour rose substantially. In 2004 as the world braced itself for the beginning of the increase in oil prices, we have now reached the astounding level of over US\$70 per barrel of oil. Labour cost in southern China continues to climb as the region experiences acute labour shortages. While China's textile quota system was abolished in the beginning of 2005, threats of retaliatory actions against China's textile exports continue to loom over the industry, with partial quotas being reintroduced for certain products. In addition, during the year, the Renminbi, the currency of the Group's operation in China, rose by 5% against the US dollars, the currency in which the sales of the Group are denominated. In order to manage such external threats, the Group believes that it needs to manage any development of its business in a controlled manner.

For the last few years, the Group has adopted the policy of controlled growth. This policy is reflected in the turnover for the financial year ended 31 March 2006 of HK\$341 million, which is almost the same as that of the previous year of HK\$338 million. Operating with the cost control measures and the more extensive use of the computerized machinery, the Group managed to improve its gross margin from 8% to 8.8% for the year ended 31 March 2006. With stable orders, production volume, and production cost, the Group believes that it has averted the slide in its performance and will be able to achieve better profitability in the coming years.

By the end of March 2006, the Group operates with over 200 pieces of brand new computerized machinery imported from Japan and Germany. During the peak season, the computerized knitting machinery was utilized at full capacity and the average utilization rate of the machinery was also over 80% of their capacity throughout the year. The machinery contributed to the improvement in gross profit margin of the Group, as well as the Group's ability to produce knit-to-shape garments of all sort. The benefits of using the computerized machinery have strengthened the competitive advantage of the Group as a major producer in knit-to-shape garments.

As the Group continues to recover from the previous years' of losses, the Directors believe that the year ahead continues to be a year of consolidation. As such, the Directors would recommend that no dividends be paid for the current year.

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RESULT HIGHLIGHTS

The highlights of the results for the year ended 31 March 2006:

Turnover increased by 0.9% to HK\$341 million from HK\$338 million for the year ended 31 March 2005;

Net profit for the year was HK\$800,000, as compared to the loss of HK\$29 million for the year ended 31 March 2005;

Earning per share for the year was HK0.3 cents, as compared to the loss per share of HK12.3 cents for the year ended 31 March 2005;

The Group's net current asset position at 31 March 2006 was HK\$1 million, as compared to HK\$3 million at 31 March 2005, representing a current ratio of 1.02 (2005: 1.04).

LOOKING FORWARD

The Directors strongly believe that the controlled development approach that the Group has adopted over the past year would be the continuing policy of the Group. Against the new threat of creeping inflationary pressure in the United States economy, the major markets of the Group, and the countervailing measures of continuing rise in interest rates, the Group believes that a more cautious approach is called for in meeting new threats.

On behalf of the Board, I would like to take this opportunity to extend my sincere thanks 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, 13 July 2006