

**PAK TAK INTERNATIONAL LTD :
A GARMENT-MAKER THAT, PERHAPS, SHOULD NEVER HAVE GONE PUBLIC**

While the past 40 months have seen, to be sure, a not insignificant growth in both Turnovers and Profits of the Company, the success of Pak Tak International Ltd was brought about, in part at least, due to the Chairman's generosity in funding the Company with material sums of money, throughout this period – buckshee.

According to the Placing and Public Offer Prospectus of Pak Tak International, released just last Friday, Chairman Cheng Chi Tai was owed about \$HK46.90 million by the Company, as at September 30, 2001, that amount of money being unsecured and interest free. (Page 68 of the Prospectus)

The details of the loans from Chairman Cheng to the Company go on to state:

'... Subsequent to 30th September, 2001, an amount of HK\$29,000,000 of the total amount due to Mr. Cheng was assigned by Mr. Cheng to Addlink (Addlink Ltd, a wholly owned subsidiary of Pak Tak) in consideration of 12,000 shares in Addlink were allotted and issued, credited as fully paid to Mr. Cheng and the remaining balance of approximately HK\$17,896,000 was fully repaid ...'. (All errors in the above text are for the credit of the person who drafted this statement)

Page 107 of the Prospectus indicates that since, at least, 1999, Chairman Cheng had been exceedingly generous in respect of interest-free and unsecured loans, which totalled about \$HK48.15 million in 1999, falling to about \$HK46.89 million in 2000, dropping back to about \$HK41.68 million in 2001, and rising once more to about \$HK46.74 million for the 4 months, ended July 31, 2001.

Had interest been charged on these loans, even at the paltry annual interest rate of 5 percent per annum, it would have affected the Net Profits of the Company by about \$HK2.40 million in 1999, by about \$HK2.34 million in the 2000 Financial Year, by about \$HK2.08 million in 2001, and by about \$HK780,000 for the 4 months, ended July 31, 2001.

This Company is, what the Jewish would call, in the schmutter trade: It makes ladies and children's knitted garments.

And, as a producer of garments, it appears to have done very nicely.

The past 40 months have been especially good to the Pak Tak International in spite of everything, as the following table illustrates:

	Financial Year ended March 31			Four Months to July 31
	1999	2000	2001	2001
	All Figures are Denominated in \$HK'000 (Except Where Indicated)			
Turnover	299,004	343,953	411,420	150,768
Cost of Sales	(223,116)	(238,692)	(294,021)	(109,405)
Gross Profit	75,888	105,261	117,399	41,363
Gross Profit Margin	25.38 percent	30.60 percent	25.54 percent	27.43 percent
Other Revenue	4,746	5,067	5,300	2,078
Administrative Expenses	(27,283)	(30,612)	(30,827)	(10,351)

Selling Expenses	(20,592)	(31,001)	(44,355)	(14,497)
Profit from Operations	32,759	48,715	47,517	18,593
Financing Costs	(5,453)	(4,170)	(4,352)	(253)
Share of Results of Associated Company	(129)	17	152	10
Profit before Taxation	27,177	44,562	43,317	18,350
Taxation	(347)	(4,023)	(3,408)	(1,389)
Profit before Minority Interests	26,830	40,539	39,909	16,961
Minority Interests	791	76	(775)	(383)
Profit Attributable to Shareholders	27,621	40,615	39,134	16,578

Since the sale of knitted garments is the principal business of Pak Tak International, it is interesting to note the composition of the Turnover, along with the ... [CLICK TO ORDER FULL ARTICLE](#)

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