

**PEKING APPAREL INTERNATIONAL GROUP LTD:  
HEY! WANNA BUY A NEW MINK COAT ?**

Peking Apparel International Group Ltd (()) (Code: 761, Main Board, The Stock Exchange of Hongkong Ltd) has embarked on what appears to be a make-or-break project in the People's Republic of China (PRC), a project which could propel this publicly listed company to bigger and better things ... or it could cost shareholders about \$HK20 million in losses if things do not pan out well.

The project is the establishment of a mink farm in Shantung, in the northern part of the PRC.

This project was briefly mentioned in the Interim Report of Peking Apparel, dated December 30, 2005, when Management stated, only:

*'... In order to maintain a steady supply of high quality fur raw material at low cost, the Company is setting up a mink farm which will begin operation in the upcoming year. The mink farm can supply for our own needs as well as for sales to customers. This should help to improve our overall margin in the future barring unforeseen unfavourable circumstances ...'*

And, again, on July 17, 2006, the Chairman of Peking Apparel, Mr Char On Man (), made brief mention of the mink farm in his Chairman's Statement as follows:

*'Looking ahead, the Group expects that intensified market competition and high cost of raw material will continue. The Group will continuously implement appropriate measures to improve its competitiveness as well as controlling its overall cost. The world market demand on fur skin is still high. In view of this, the Group is setting up a mink farm in the PRC to raise live mink. Baring unforeseen circumstances, the mink farm will generate positive returns in the future.'*

According to **TARGET**'s information, Peking Apparel has teamed up with a Danish producer of minks, named Sole Gruppen, a group of companies which supplies about 19 percent of all of the mink pelts, consumed in Denmark.

This group of companies was founded in 1950 and among its leading lights are Messrs Jorgen Pedersen and Tage Pedersen, both of whom are working with Peking Apparel on the North China, mink-farm project.

Sole Gruppen operates 300 farms in Denmark, producing about 475,000 mink pelts per year.

This Danish company is 10-percent shareholder in the \$US2-million (about \$HK15.60 million) Shantung mink farm, but this farm will not be fully operational until 2007, at the earliest time, according to **TARGET**'s information.

Further, it is unlikely that there will be any material profits from this mink farm, if at all, until the 2008 Financial Year, ending March 31, 2008.

Peking Apparel is planning to charter a flight from Denmark at the end of December, this year.

This charter flight will carry about 12,000, 5-month old minks which have cost the joint venture about \$US600,000 (about \$HK4.68 million).

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