

chairman's statement



To shareholders,

Financial year ended 31 December 2000 was an important year of growth and integration for the Peaktop Group. Following the establishment of market distribution for group products in Europe in December 1999, the Group further established a distribution company and a pump manufacturing operation during the year in Australia and Zhongshan respectively. While absorbing these significant changes, the Group however still achieved outstanding growth in sales and a satisfactory net profit performance.

Following the 65% increase in sales revenues during financial year 1999, Group sales more than doubled in financial year 2000, combined with a satisfactory net profit return. The efforts of Peaktop Group management, together with investment in expanded manufacturing capacity, development of new technologies, customer and market development in key international markets, have positioned the Group well to develop long-term sustainable sales and profit growth for company shareholders.

To support continued expansion of the Group, Peaktop Directors feel that working capital should be retained in order to maintain strong cash flow, and therefore recommend a bonus share distribution be made to shareholders for financial year ended 31 December 2000.

The establishment of the market distribution in Europe during 1999 not only enabled the Group to capture a significant market share in Europe, but also helped reduce our dependence on the US market.

During 2000, the Group continued its vertical integration by extending its activities to cover injection moulding of plastic parts and manufacture of water pumps, as well as utilising its PRC facilities to manufacture products under its own brand name. Such measures will reduce the Group's overall operating costs and increase margins as a result of achieving economies of scale.

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To support future sales and profit growth in global markets, the Group has strengthened its research and development ("R&D") capability by establishing additional R&D centers in Europe and North America to cater to the needs of our expanding international customer base.

PROSPECTS

Financial year 2000 has been a period of significant development and integration, and the operational benefits of these changes are already evident in through the Peaktop Group. These changes position the company as a leading supplier and marketer of high quality indoor and outdoor lifestyle decoration products in global markets.

Strategic investment by the Group during financial years 1999 and 2000 means the company now has a world class, competitive manufacturing base, a strong research and development capability, a global distribution structure, and specialized product programs developed with long term customers of the Group in key international markets. These factors individually and collectively provide a solid foundation for the Group's continued growth and development.

Rather than pursuing high sales growth momentum in 2001, we will concentrate our Group management efforts on the consolidation of operations, continuing development of our leading position in major markets, and further strengthening of our international distribution network.

This strategy also reflects a responsible management approach by the Group to respond to general uncertainties in some world markets. North American customers in particular have become more cautious in placing orders in light of signs of slow-down in their economy, and this has resulted in smaller quantity orders and shorter lead-time, which is a challenge to all manufacturing suppliers.

However the Group's investment in manufacturing plant expansion and vertical integration during the past two years means that the company now has operational flexibility and capability of servicing demands for quick response manufacturing and dispatch by our international customers.

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The Group is optimistic about the continuing growth of consumer demand for home and garden decorative products. This will continue to be a high growth retail category as consumers in developed markets continue to invest in home and garden lifestyle decoration products, and start landscape gardening projects, which enhance the quality and personal enjoyment of their outdoor living experience.

Following the establishment of an European distribution channel and integration of a highly recognized brand name, the Group is now actively seeking a business partner in North America to market garden and outdoor product programs under the Group's own brand name. Our target is to capitalize on this partner's brand reputation and distribution network to expand our sales of garden and outdoor lifestyle products in USA and Canada.

Our investment in research and development will continue to enable the Group to develop a comprehensive series of specialized products under our own brand names. In addition, the R&D facilities in Europe, USA and China are able to provide continuing design and production process improvements, thereby further reducing our production costs and improving the Group's competitive position as a leading international supplier.

We will continue to broaden our marketing influence by developing products that have innovative design and technology features, thereby supporting the Group's competitive advantage and to sustain ongoing sales and profit growth.

In late 2000, the Group launched a specialized range of candle products manufactured from a combination of paraffin and organic palm wax. These products have reduced chemical emissions resulting from combustion and thus are environment friendly. We have also utilized the design skills of the Group to present innovative new products, which are being extremely well received by the market.

We expect the sales of candle products will provide a more significant profit contribution for the Group in the coming financial year. Other new products in the pipeline include outdoor fountain and plastic stationery.

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In the future, the Group will develop new materials, new product combinations and functions, as well as innovative new products to meet market needs. We will also continue to improve our production process, product functions and design and to lower production costs.

The Group's main competitive advantage has always been its commitment to product research and development, and further that such emphasis also generates optimum return to company shareholders.

In summary, the Group had made significant investments in the past two years which form a strong foundation for the future, and I believe that our scale of operations, its fundamentals and competitiveness are all well recognized by the shareholders.

Although we anticipate a slow-down in the US economy and a more difficult world market environment in the coming year, we are confident in our ability to face such challenges, and to achieve sound results for company stakeholders.

Lin Chun Kuei

Chairman

Hong Kong, 28 May, 2001

