

REVIEW OF OPERATIONS

During the year ended 30th April 2003, the consolidated turnover of the Group increased 13.7% from the previous year of HK\$207.5 million to approximately HK\$235.9 million. Net profit attributable to shareholders rose by about 10.2% to HK\$56.4 million, compared with the previous year's HK\$51.2 million, while earnings per share for the year was HK16.8 cents.

Although the world economy was still in the trough during the year, the Group recorded an encouraging growth in its turnover and net profit. Sales in its main products like electrical fans and heaters also increased. The growth was mainly attributed to its new product, the oil-filled radiator. The development and launch of the oil-filled radiator was very successful. Besides, its motor manufacturing business also recorded a double digit growth in sales to third parties. The Group's market focus has always been in medium to high-end electrical home appliance products. We are capable of and feel committed to producing all the parts by ourselves, which has earned us a reputation among the manufacturers in the industry.

PROSPECTS AND OUTLOOK

For the coming year, the Group will put more emphasis on research and development of new products and quality control. Several new products, like the air exchanger, the wet and dry vacuum cleaner, the new humidifier and the new oven with rotisserie and fry pan, will be launched in the coming 12 months. Moreover, the Group has established two teams of marketing staff to assist it in the development of the US and China markets. We believe that both the new products and the new markets can contribute substantially to the growth of the Group in the coming years. Therefore, the Group will continuously enhance its production capacity by installing new equipment in order to meet the rapid increase in its orders.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally financed its operations mainly with internally generated cash flow. As at 30th April 2003, the Group had cash and bank balances of a total amount of HK\$33 million. Its bank borrowing was around HK\$54 million and its gearing ratio, computed by dividing the total borrowings by total assets, was approximately 18.5%. The Group maintained a strong working capital policy during the year. As at 30th April 2003, its debtor turnover period was at 84 days, and its inventory turnover period was at 69 days. Besides, its creditor turnover period was 102 days. The Group's quick ratio and current ratio were improved from 77% and 125% as at 30th April 2002, to 121% and 171% as at 30th April 2003.

The Group's sales and purchases are all denominated in US dollar and HK dollar. Its bank borrowings are all denominated in HK dollar and US dollar. Though there is no hedging contract, the Group's exposure to foreign exchange risk is minimal. On the whole, the Group's financial status is very healthy, providing a strong base for our future development.

USE OF THE PROCEEDS FROM THE INITIAL PUBLIC OFFER

After deducting the related expenses, the net proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange on 18th December 2002 amounted to approximately HK\$43 million. As provided in the prospectus, these proceeds were applied during the year as follows:

- Approximately HK\$12 million was used for expanding the Group's current production facilities and purchasing additional machinery to increase production capacity;
- Approximately HK\$5 million was used for product development and promotion of new products;
- Approximately HK\$5 million was used for product research and development;
- Approximately HK\$1 million was used for setting up logistics centre to improve the Group's efficiency in inventory control and distribution;
- Approximately HK\$3 million was used for setting up regional sales and promotional office and promoting the Group's own brands of products;
- Approximately HK\$10 million was used as additional working capital for the Group.

The Group intends to apply the remaining proceeds of approximately HK\$7 million, which is currently placed in short term deposits with banks in Hong Kong and commercial banks in the PRC for the following purposes:

- Approximately HK\$3 million for the development and promotion of new products;
- Approximately HK\$3 million for setting up logistics centre to improve the Group's efficiency in inventory control and distribution;
- Approximately HK\$1 million for setting up regional sales and promotional office and promoting the Group's own brands of products.

EMPLOYEES

As at 30th April 2003, the Group had approximately 1,400 full time employees. Around 30 staff were based in Hong Kong and the rest were in our plants in China. Competitive remuneration packages are structured to commensurate with individual job duties, qualification, performance and years' of experience.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to review the Company's interim and annual reports and financial statements. The audit committee comprises the two Independent Non-Executive Directors.

PLEDGE OF ASSETS

As at 30th April 2003, the Group pledged assets to banks with total value of HK\$17 million (2002: HK\$2.6 million), including the property located in Hong Kong with carrying amount of HK\$9.5 million (2002: HK\$1.5 million) and bank deposits of HK\$6.3 million (2002: HK\$1.1 million) and investment in securities of HK\$1.2 million (2002: NIL), to secure the Group's general banking facilities.