

# Chairman's Statement

## Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I hereby submit the annual report of Peaktop International Holdings Limited and its subsidiaries (the "Group") for the year ended 31 December 2003.

During the period, the Group recorded a turnover of HK\$820,200,000, representing a growth of 23% as compared to 2002. Net loss attributable to shareholders was HK\$6,200,000, representing an improvement of 84% from last year.



## BUSINESS REVIEW

The Group had experienced two difficult operating years in 2001 and 2002. Apart from being subjected to the unfavorable impact of uncertainties in international politics and economy, the Group's various contingent measures did not materialize in time and as a result, the Group suffered heavy losses for two consecutive years. Thereafter, supported by the dedication and efforts of all staff, the Group's overall performance in 2003 showed signs of gradual improvement.

The Group's actual operating performance in 2003 should have been in line with expectation and there should have been a profit contribution from the increased turnover. However, the devastating outbreak of Severe Acute Respiratory Syndrome ("SARS") in China and Hong Kong at the beginning of 2003 had deterred European and American buyers from visiting Asia to conduct procurement activities. We had to proactively arrange all business activities in Europe and the United States, and this impaired our business and increased our overheads.

Another reason attributable to our loss was the higher manufacturing costs in Asia that had squeezed our gross margin. Since the second half of 2003, global economic expansion and oil price increases had led to a substantial price rise in our primary raw materials such as polyresin, paraffin wax and plastics. As we usually submit sales quotations once a year, we cannot adjust our prices instantly in response to higher raw material costs.

In respect of the Group's overall operation in 2003, the profitability of year 2003 of our manufacturing center in Asia was not comparable to that of 2002 because of the two major reasons mentioned above. However, performance of some of our sales networks in 2003 indicated significant improvements from 2002, and the performance of Heissner AG in Germany after two active years of re-structuring was particularly notable.



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On the other hand, Peaktop Technologies (USA) that we established in the second half of 2003 showed tremendous sales acumen within a short period of time by optimizing the distribution network in North America. Through aggressive marketing of the Group's gardening and water gardening products, including the newly developed large fiber-glass planters, the company secured huge orders that filled up our order books for the first quarter of 2004.

Sales of other gift items, stationery and candle products recorded sustained growth. Industrialized production of artistic products and industrialized products made artistic are the two guiding principles underpinning the Group's development and will continue to be the operating goals for 2003 and beyond. The Group will continue to secure more orders and generate profits for the shareholders.

## CORPORATE GOVERNANCE

To enhance corporate transparency and to ensure fulfillment of openness, the Audit Committee that has been established under the Board and comprised of our independent non-executive directors, has become the mechanism for corporate governance. As stipulated, the Audit Committee convenes meetings prior to results announcements and major events and when the Board is required to report to the Audit Committee.

## PROSPECTS

As the market sentiment improves and the economy recovers, I firmly believe that the Group will drive turnover growth with its proven new product development capability, strong manufacturing expertise and excellent client base, and at the same time, resume profitability in 2004 and 2005.

Through years of exploration, review and improvement, the Group has set out clear long-term goals. We will continue to consolidate our market competitive advantages, provide premium products to consumers to beautify their living environment, offer good working environment and self-enhancement opportunities to staff, create and add to shareholder value, and generate social and economic benefits to all business associates of the Group.

## ACKNOWLEDGEMENT

On behalf of the Board, I would like to express our appreciation to our shareholders, customers, banks and business partners for their trust and support; and also to all of our staff for their dedicated efforts in facilitating the Group's business restructuring and perseverance in face of challenges.

**Lin Chun Kuei**  
*Chairman*

Hong Kong, 16 April 2004

