

CHAIRMAN'S STATEMENT



It is my pleasure to present the 2004 annual report of Warderly International Holdings Limited ("Warderly") and its subsidiaries ("the Group") to our shareholders. Fiscal year 2004 was very active and exciting for the Group. The satisfactory results were mainly attributable to the encouraging growth in the European markets as a result of the heat wave attacking Europe led to a significant increase in the demand for the Group's traditional products. During the year under review, the Group recorded gradual market recognition for our award-winning Air Exchanger. Most important of all, our relentless hard work and dedication have been reflected by the double-digit growth in turnover, gross profit and net profit.

For the year ended 30th April 2004, turnover and profit attributable to shareholders approximately amounted to HK\$291,219,000 and HK\$67,883,000 respectively. Earnings per share are HK17.2 cents. The impressive growth was mainly attributable to the Group's strategies and efforts in developing products and markets with high profit margins, as well as the continued pursuit of better quality of living standard worldwide that contributed to the strong demand of the Group's quality electrical appliances.

With due consideration of the Group's financial position and business development, the Board of Directors proposed to declare a final dividend of HK4.00 cents per share. Together with the interim dividend of HK1.20 cents per share, the total dividend payout for the year amounted to HK5.20 cents per share.

This is the Group's fourth consecutive year of double-digit growth in both turnover and profits, and reflects our research and development achievements and visionary business strategies. Our promising prospects have attracted The Cathay Investment Fund, Limited, a closed-end investment fund, to become our second largest shareholder by acquiring 10% of our stocks in December 2003. Such recognition is a confidence boost and a stamp of approval to our business model and strategic directions.



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Warderly is committed to maximizing our flexible and efficient vertically-integrated production facilities as well as to sustaining our leading position in developing and delivering products of superior quality. The Group also aims to deliver products that help conserving the environment, as evidenced by our REGENT Air Exchanger which obtained the Certificate of "Star of Green Products" award from the China Association of Environmental Protection Industry in March 2004. This is merely one of the testimonies of our dedication to providing the best quality of products for our customers, as well as to stimulate the development of environmentally friendly products in the PRC.

Warderly takes pride of its full vertically-integrated production facilities that ensure prompt delivery and consistent product quality for our products, reduce reliance on suppliers and subcontractors and achieve economies of scale. Well aware that a scaleable production capacity is pivotal to the operational efficiency and overall success, the Group received positive and enthusiastic response from banks and signed an agreement with a group of 9 international and local banks in connection with a HK\$130 million Revolving Credit & Term Loan Facility on 29th July 2004. The main purpose of arranging the Facility is to partly financing the expansion of the Group's production capacity, enhancement of the existing production facility in the PRC and serving as the general working capital of the Group.

The market response to the Group's quality products is promising. In addition to a series of air improvement new products, such as nano-confined catalytic oxidation (NCCO) air sterilizing/deodorizing system and photo catalytic oxidation (PCO) air sterilizing/ deodorizing system, the Group will also launch kitchen ware products and other household electrical appliances. Such diversification in products and markets will cater to the broad and ever-changing market interests. We are confident that these strategies will add momentum to the Group's impressive growth and hence, maximizing the returns of our supportive shareholders.

Looking ahead, Warderly will continue to focus on strengthening its research and development capability by joining hands with renowned universities and research institutes, such as The City University of Hong Kong. Through our intimate cooperation, satisfactory synergetic benefits will be created, propelling the Group's future business growth.

On behalf of the Board, I would like to express my heartfelt appreciation for shareholders' confidence and support in the Group's business and prospects, as well as our employees and staff for the devotion and hard work and the full support from bankers and business partners. We look forward to an even better 2005 ahead, with many more years to come.

Yeung Kui Wong

Chairman

9th August 2004

