

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

For the year ended 30th April 2004, the consolidated sales of the Group increased by 23.4% from the previous year of HK\$235.9 million to approximately HK\$291.2 million. Net profit attributable to shareholders increased by 20.4% to HK\$67.9 million, compared with the previous year's HK\$56.4 million. Earnings per share for the year also increased to HK17.2 cents.

For the year under review, although the Group faced a drastic increase in the cost of raw materials, the Group still recorded an encouraging double digit growth in turnover and net profit. And the growth was mainly attributed to the increased sale of its electrical fans and its high profit margin product, the oil-filled radiator. The development of the oil-filled radiator was very successful. Sales of the oil-filled radiator increased by 118% to HK\$37.5 million, compared with the previous year's HK\$17.2 million. The full vertically integrated production facilities ensured prompt delivery and consistent product quality for the Group's products, reduced reliance on suppliers and subcontractors and achieved economies of scale as well. The management implemented stringent cost control and quality assurance measures to minimize production costs while enhancing flexibility and efficiency. All these competitive strengths enabled the Group to achieve remarkable business growth.

PROSPECTS

In addition to its new kitchenware products and the air to air heat recovery ventilator, the Group will launch a series of air improvement new products, like the anti-virus machine, the nano-confined catalytic oxidizer, and the photo catalytic oxidizer and the Group will also introduce a range of quartz heater products, like the patio quartz heater for outdoor and wall-mounted bathroom quartz heater. Moreover, the Group has established three teams of marketing staff to assist it in the development of new markets. Such diversification in products and markets will cater to the broad and ever-changing market interests. We believe that all the strategies will support the Group with continuous growth in the coming years.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally financed its operations mainly with internally generated cash flow. As at 30th April 2004, the Group had cash and bank balances of a total amount of HK\$108 million. Its bank borrowing was around HK\$64 million and its gearing ratio, computed by dividing the total borrowing by total assets, was approximately 15.2%. The Group maintained a strong working capital policy during the year. As at 30th April 2004, its debtor turnover period was 63 days, and its inventory turnover period was at 65 days, its creditor turnover period was 60 days. The Group's quick ratio and current ratio were improved from 121% and 171% as at 30th April 2003, to 154% and 199% as at 30th April 2004.

EMPLOYEES

As at 30th April 2004, the Group had approximately 2,455 full time employees. Around 42 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.

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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. The Audit Committee had reviewed the audited financial statements of the Company for the year ended 30th April 2004.

PLEDGE OF ASSETS

As at 30th April 2004, the Group pledged assets to banks with total value of HK\$48 million (2003: HK\$23.8 million), including the property located in Hong Kong and PRC with carrying amount of HK\$43.2 million (2003: HK\$9.5 million) and plant, machinery and equipment with carrying amount of HK\$4.8 million (2003: HK\$6.8 million) and bank deposit of Nil (2003: HK\$6.3 million) and investment in securities of Nil (2003: HK\$1.2 million), to secure the Group's general banking facilities.

The security of the property located in Hong Kong and PRC with carrying amount of HK\$43.2 million has been released subsequent to 30th April 2004 after the repayment of the bank borrowing.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's business are denominated in either Hong Kong, United States or Renminbi currencies. As such, the Group had no significant exposure to foreign exchange fluctuations.

CAPITAL STRUCTURE

As at 30th April 2004, the capital of the Company comprising 422,000,000 ordinary shares of HK\$0.01 each.

USE OF THE PROCEEDS FROM THE SUBSCRIPTION

After deducting the related expenses, the net proceeds from the subscription of the Company's new shares on 1st December 2003 amounted to approximately HK\$50 million was all used up as working capital of the Group for operating activities.

CLOSURE OF REGISTER OF MEMBERS

The Register of Member of the Company will be closed from 20th September 2004 to 23rd September 2004 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and attending the annual general meeting ("AGM") to be convened by the notice of AGM, all transfers, accompanied by the relevant share certificates, must be lodged with Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 17th September 2004.