

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to announce the audited consolidated results of Peaktop International Holdings Limited and its subsidiaries (the "Group") for the year ended 31 December 2004.

During the period, the Group recorded a turnover of HK\$1,135,700,000, representing a growth of 38% as compared to 2003. Net profit from ordinary activities attributable to shareholders was HK\$6,400,000.

► Business Review

The Group had experienced the difficult operating years since 2001. Supported continuously by the dedication and efforts of our Group's managements, major business partners, bankers and shareholders, the group's overall performance in 2004 has showed signs of gradual improvement and resumed its profitability. The Group's products direction, manufacturing scale, marketing strategy, good management system and the strategic change of overseas business are also being materialized and adjusted during that period and diligently carried out and contributed profits to the Group. However, some reasons attributable to lower our profits were the oil price increases which led to a substantial cost rise in our raw materials and the loss of selling the Group's subsidiary of Peaktop Italy.

The performance of Heissner AG in Germany has continued to contribute profits to the Group since 2003. The business of the overseas subsidiaries, Silk Road Gifts, Waterwerks, was profitable. Besides, the performance of tremendous sales acumen in Peaktop Technologies (USA) in the US market was particularly notable as our expectation to secure huge orders for the gardening and water gardening products, and the newly developed large fiber-glass planters in the promotion by specialty shelf. It continues to grow in 2005 and contribute profits to the Group. Sales of other products, such as, stationery and candle, recorded a sustainable growth as our expectation. Gardening and water gardening product, candle and stationery will be our Group's three major sales businesses for generating profits in the future.

In response to overcome the labor supply shortage situation in China manufacturing base, the factory in Lu He District in Sanwei City has already started production in October 2004 which helps to solve part of the labor supply shortage problem, and in order to avoid the protective measures of candle products imposed in the US market, we have already set up a new candle factory in Ho Chi Minh City in Vietnam for supplying the US market.

Our Group's management teams, diligently perform the realization management direction and the goal, and always pay attention to the operational threats and risks and make the adjustment in order to create the profits for the shareholders.



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► 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. In September 2004, an

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.

Garden Decoration



additional Independent Non-executive Director was appointed to comply with the Listing Rules. Currently, the board of directors of the Group comprises three Independent Non-executive Directors. We have established the Remuneration and Nomination Committees in April 2005.

► Prospects

As the market sentiment improves and the economy recovers, I firmly believe that the Group will drive growth in turnover as well as profitability with its proven new product development capability, strong manufacturing expertise, excellent client base and the right production base layout in 2005 and 2006.

► 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, 21 April 2005