MANAGEMENT DISCUSSION AND ANALYSIS

Financial year 2005 was a remarkable year for the Group. We achieved significant growth in both our turnover as well as net profit attributable to shareholders. We experienced rapid growth through enhancing our products' quality and our services to our customers. The excellent financial results in 2005 were mainly attributable to the growth in sales volume and relatively stable selling and distribution costs and general and administrative expenses.

The satisfactory results of the placing and public offer reflected the confidence of investors in the prospects of our business as well as in the electrical appliances manufacture industry. The listing is a new milestone in the Group's development, laying the foundation for our further growth in the industry.

TURNOVER

The Group's turnover for the year ended 31 March 2005 was approximately HK$464.9 million, of which approximately HK$433.6 million was contributed by the sales of hair care products, representing approximately 93% of the turnover of the Group. The Group's turnover for the year ended 31 March 2005 was increased by approximately 54% when comparing with the year ended 31 March 2004. The sharp increase was mainly attributed to the further increase in demand for the Group's electrical hair care products in the European market, including the acceptance of the Group's innovative products (new kind of hair straighteners) by the market.

COST OF SALES

Our cost of sales for the financial year ended 31 March 2005 increased by approximately 59% to approximately HK$370.7 million. Such increase was principally a result of the increase in our business volume, turnover and increase in cost of raw materials, like plastic-related and metal-related materials.

GROSS PROFIT

Our gross profit for the year ended 31 March 2005 was approximately HK$94.2 million, representing an increase of approximately 37%, as compared with the year ended 31 March 2004. Our overall gross profit margin was decreased from approximately 22.8% to approximately 20.3%. The deterioration was due to the increase in cost of raw materials like plastic-related and metal-related materials and the increase in factory overhead cost such as labour cost in the Dongguan region.

OTHER REVENUE

Our other revenues were approximately HK$12.2 million for the year ended 31 March 2005, as compared with approximately HK$6.8 million for the year ended 31 March 2004. Such increase was principally attributable to the reimbursement of mould costs (including the sale of our design and concept). The Group has been developing series of new and innovative products as well as general electrical hair care, health care and other small appliances during the year. The new series of products are scheduled to be launched in the year ending 31 March 2006.

SELLING AND DISTRIBUTION EXPENSES

For the year ended 31 March 2005, selling and distribution expenses of the Group was approximately HK$8.0 million, representing approximately 1.7% of the total turnover for the same period. This ratio was lower than that of approximately 2.8% recorded for the year ended 31 March 2004 (as a result of more usage of PRC based ports which were cheaper in cost).

GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended 31 March 2005, administrative expenses of the Group was approximately HK$31.7 million which was increased by approximately HK$3.8 million as compared with the year ended 31 March 2004. The increase was mainly due to the increase in depreciation as a result of the addition of property, plant and equipment during the year, the increase in bank charges which were resulted from the increase in usage of trust receipt loans and the distribution of staff performance bonus for the year.

FINANCE COSTS

For the year ended 31 March 2005, finance cost of the Group was approximately HK$3.9 million which was increased by approximately HK$0.4 million as compared with the year ended 31 March 2004. The increase was mainly due to the increase in usage of trust receipt loans.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2005, the Group had approximately HK$77.2 million cash and cash equivalents balances (31 March 2004: HK$30.0 million). The Group's net current assets were approximately HK$6.7 million (31 March 2004: net current liabilities HK$4.9 million). The gearing ratio as at 31 March 2004 was approximately 35% while that as at 31 March 2005 was approximately 35%. The Group has sufficient financial resources to meet the requirements of its ordinary operation and capital expenditure.

PLEDGE OF ASSETS

As at the balance sheet date, the Group pledged leasehold land and buildings having a net book value of approximately HK$11.8 million (2004: HK$ 12.2 million) and fixed deposits placed with banks to the amount totaling approximately HK$6.0 million (2004: HK$6.0 million) to secure general banking facilities granted to the Group.

Subsequent to the balance sheet date, the personal guarantees provided by Mr. Lam Wai Ming and Mr. Tam Chi Sang were released and replaced by a corporate guarantee of the Company.

CAPITAL COMMITMENTS

As at the balance sheet date, the Group had capital commitment in respect of acquisition of plant and equipment of approximately HK$3.7 million which are authorized but not contracted for (2004: HK$2.7 million).

CONTINGENT LIABILITIES

(a) As at the balance sheet date, the Group had contingent liabilities in respect of bills discounted to banks with recourse amounting to approximately HK$14.3 million (2004: HK$9.5 million).

(b) A High Court action was commenced by WIK Far East Limited ("**WIK**") against a subsidiary of the Company on 27 April 2004 in respect of alleged infringements of a patent in respect of retractable brushes.

The Directors have confirmed that no settlement had been reached by the parties and no judgement on the quantum of damages has been made against the Group in respect of the legal action. The Group has sought legal advice from its legal counsel on the merits of the claim.

According to the legal counsel's opinion, given that the trial has not yet commenced and the parties are still at a pre-mature stage of the litigation, and in the absence of any indication as to how WIK would like to proceed with its claim, it would not be possible to quantify reliably the likely potential damages and cost to be incurred by the Group in the event that the subsidiary of the Group fails in its defense to the claim of patent infringement in the litigation. Assuming that WIK will claim for damages for loss of profits or for accounts of profits, the Directors are of the view that the quantum of the ultimate cost and damages (if any) to be incurred by the Group will not have a material adverse impact on the Group's financial position.

In the event that a liability has arisen from the litigation, the controlling shareholders have jointly and severally agreed and undertaken to indemnify the Group from and against any of such liability.

STAFF AND REMUNERATION POLICIES

People are our most important assets and are indispensable to our success in the competitive marketplace. We offer comprehensive remuneration packages level and provide various fringe benefits, including trainings, medical, insurance coverage as well as retirement benefits.

The Group has adopted a pre-IPO share option scheme on 27 May 2005 for the purposes of providing incentives and rewards to eligible participants who have contributed to the success of our operations.