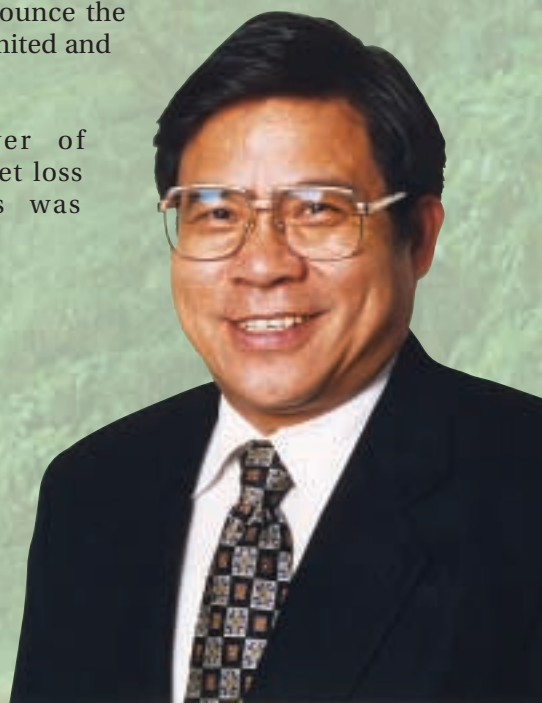


Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I hereby announce the audited consolidated results of Peaktop International Holdings Limited and its subsidiaries (the "Group") for the year ended 31 December 2005.

During the period, the Group recorded a turnover of HK\$1,161,200,000, representing a growth of 2% from 2004. Net loss from ordinary activities attributable to shareholders was HK\$17,500,000.



BUSINESS REVIEW

At the end of first quarter of 2005, with positive global economic forecast in general and judging from the contacts with our major business partners and customers on the product direction and successful negotiation of new prices for the orders for the coming season, all the information has indicated that the operational results for the second half of 2005 and 2006 are promising. Although the crude oil prices remained an upward trend, most business persons and economists, with their historical experience, expected that the crude oil prices shall decrease or at least stabilize during the summer season. The raw materials costs would become relatively stable, and the increased costs could be reflected in the quotations in the next year. However, the impact of the increases in costs of the materials, especially traditional industrial materials, such as polyresin, copper and other materials, exceeded our expectation, and have not reflected on the quotations on a timely basis. Even the consolidated turnover was increased slightly for 2% as compared with the previous year, we could not achieve the expected profitability.

In recent years, the management was instructed by the Board to identify the potential investors who are interested to acquire Heissner AG and its subsidiaries in Europe. On 28 March 2006, the sale and purchase agreement was signed by the investor and the Group in Hong Kong. The agreement could establish a new strategic partnership. After the appropriate legal process for completing the deal, it will bring long-term benefits to the Group, especially, for the improvements of the gearing ratio and flexibility of working capital. In fact, the Group has reflected its loss for the disposal of the investment of Heissner AG in the annual report for 2005.

The factories in LuHe District of Shanwei City have performed profitability as expected and resolve the labor shortage problem in Shenzhen area. The candle factory in Ho Chi Minh City in Vietnam was set up in good time to avoiding the protective measures of candle products in the US market. The Group shall further focus on the improvement of management in these factories to attain the better outcome.

The Group will focus on 3 major business segments, namely gardening and water gardening product, candles and indoor lifestyle products, and outdoor lifestyle products.

The Group's management team has been restructured according to the current business need to perform diligently for the direction and goal and always pay attention to the operational threats, risks and make the necessary adjustment in order to create the profits for the shareholders. The Group continues its basic principle to create profit for the first priority, and to increase market share as the second.



CORPORATE GOVERNANCE

To enhance corporate transparency and 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 management is required to report to the Audit Committee. The Remuneration and Nomination Committees have started meeting to enhance corporate governance function.

AUDIT COMMITTEE

The Audit Committee comprises the three independent non-executive directors of the Company. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2005.

NOMINATION COMMITTEE AND REMUNERATION COMMITTEE

In April, 2005, The Group set up a nomination committee and a remuneration committee, both comprising mainly of independent non-executive directors. The nomination committee is responsible for nominating and affirming candidates approved by the Board, reviewing the structure and composition of the board on a regular basis, ensuring the competitive position of the organization, evaluating the leadership abilities of executive and non-executive directors and ensuring fair and transparent procedures for the appointment of directors to the Board. The remuneration committee is responsible for formulating and making recommendation to the Board on the Group's policy and structure for all the remunerations of the Directors and senior management and on the establishment of a formal and transparent procedures for developing policy on such remuneration.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2005.

PROSPECTS

Although the world economy is still under the high crude oil prices situation, the demand for the Group's major products has not been affected. There is still an increasing demand for our major products. We firmly believe that the Group will achieve its profitability with its proven new product development capability, strong manufacturing expertise, excellent client base, and the layout of the appropriate production base from 2006.

Through years of exploration, review and improvement, the Group has set clear long-term goals. We continue to consolidate our market competitive advantages, provide premium quality products to consumers to beautify their living environment, offer good working environment and self-enhancement opportunities to staff, create, add values to shareholders, 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, bankers and business partners for their continuous 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, 25 April 2006