

For the year ended 31 March, 2006, the Group's sales turnover increased by 3% to HK\$819,986,000 (2005: HK\$793,435,000) and the consolidated net profit amounted to HK\$37,139,000 (2005 restated: HK\$35,591,000). Basic earnings per share of the Group for the year ended 31 March, 2006 was HK11.1 cents (2005 restated: HK10.6 cents). The Board of Directors has resolved to recommend at the forthcoming Annual General Meeting the payment of a final dividend of HK6 cents (2005: HK6 cents) per share for the year ended 31 March, 2006. Together with the interim dividend of HK2 cents per share paid in January this year, the total dividend for the year ended 31 March, 2006 will be HK8 cents per share (2005: HK8 cents).

### BUSINESS REVIEW

This year continues to be a difficult and challenging year for the Group. The escalation in oil prices and raw material cost coupled with the increase in minimum wage requirement and operating cost in the PRC affected our operating margin. However, due to highly competitive market conditions, we were only able to pass on part of the cost increase to our customers. To counteract this, we focused on cost reduction efforts and improvements in throughput and work-flow efficiency relentlessly. With the collective efforts of all levels within the Group, we managed to sustain the net profit margin at the previous year's level at 4.5%.

The Group manufactures a wide range of household electrical appliances. Geographically, turnover to Europe increased by 12% to HK\$427,724,000 representing 52% of the Group's turnover. Turnover to America decreased by 13% to HK\$200,127,000 representing 24% of the Group's turnover. Turnover to Asia increased by 6% to HK\$169,767,000 representing 21% of the Group's turnover. Turnover to other markets increased by 6% to HK\$22,368,000 representing 3% of the Group's turnover.

截至二零零六年三月三十一日止年度，本集團之銷售營業額上升3%至819,986,000港元（二零零五年：793,435,000港元），綜合純利為37,139,000港元（二零零五年重列：35,591,000港元）。本集團截至二零零六年三月三十一日止年度之每股基本盈利為11.1港仙（二零零五年重列：10.6港仙）。董事會議決於本屆股東週年大會上派發截至二零零六年三月三十一日止年度之末期股息每股6港仙（二零零五年：6港仙）。連同已於二零零六年一月派付之中期股息每股2港仙，截至二零零六年三月三十一日止年度之股息總額將為每股8港仙（二零零五年：8港仙）。

### 業務回顧

於本年度，集團仍然面對不少困難和挑戰。油價及原材料成本攀升，加上中國內地的最低工資要求和營運成本均告增加，令集團經營毛利率受到影響。然而，鑑於市場競爭激烈，我們只能把部份成本增加轉嫁給客戶。因此，集團專注於削減成本，及加緊改善生產加工及作業流程的效率。在集團上下共同努力下，集團純利率得以保持在上年度之4.5%水平。

本集團生產多款家用電器產品。就地區劃分而言，歐洲業務之營業額上升12%至427,724,000港元，佔本集團營業額52%。美洲業務之營業額下跌13%至200,127,000港元，佔本集團營業額24%。亞洲業務之營業額則上升6%至169,767,000港元，佔本集團營業額21%。而其他市場業務之營業額則上升6%至22,368,000港元，佔本集團營業額3%。

**BUSINESS REVIEW (continued)**

Gross profit margin was maintained at 18%. During the year, increase in raw material cost, labour cost and electricity cost put significant pressure on the profit margin. Prices for raw material stayed at high levels and continued to increase. We worked very hard with customers on alternate sourcing of materials to mitigate the effect on raw material cost increase. The increase in minimum wage in PRC in year 2005 instantly put pressure on our margin. Work-flow efficiency and throughput improvements were implemented. For several years, the Group has realized the need to shift towards semi-automation in order to reduce the reliance on intensive labour. As such, the Group would continue to invest in machineries and equipments in order to move in this direction. During the year 2005, each of our factories had to face two days of electricity power cut every week. We have managed to cope with the situation by re-shuffling the working hours and generating our own electricity.

After tax net profit remained at 4.5%. Distribution costs were kept at 3% of turnover while administrative expenses have increased by 1 percentage point to 11% of turnover. The increase in administrative expenses was mainly due to the increase in staff costs and the increase in pension and social insurance obligation for PRC employees. We believe that in order to pave the way for future advancement and development, we must invest in our employees who are our most valuable asset.

In July 2005, we have set up a new section for the manufacture of electric kettles using a fully-automated injection moulding facility with 2K (two-component) injection moulding machines, robotic arms and automatic-feeding system. The result has been good and our customers are impressed by our dedication and efforts.

**業務回顧 (續)**

毛利率保持於18%。年度內，原材料成本、勞工成本及電費同告增加，對集團之利潤造成巨大壓力。原材料價格不但持續高企，並且有進一步上漲之勢。集團與客戶均盡上極大努力尋求較廉宜的物料供應來源，以減輕原材料成本上漲的影響。中國最低工資於二零零五年被調高，對集團利潤造成即時壓力。集團亦已著手改善作業流程及生產加工效率。集團於過往數年已意識到，為了減少對勞動密集的倚賴，有需要轉往半自動化生產。依循這個發展方向，本集團將繼續投資添置機器及設備。於二零零五年，集團每家工廠每星期均受到兩天電力中斷之影響。作為應對措施，集團已重新編排開工時間及自行發電。

除稅後純利率維持於4.5%之水平，分銷成本佔營業額之比率保持於3%，而行政開支則由於職工成本和中國員工退休金及社會保障責任增加而有所增升一個百分點至11%。我們認為，為了集團的未來進步和發展，對其最寶貴的資產－員工－作出投資實屬必要。

於二零零五年七月，本集團成立一個專門生產電熱水壺之部門，生產過程使用裝有雙色注塑機、機械臂及自動送料系統之全自動注塑設備，其效果亦理想，集團之客戶對於我們的投入和努力亦甚欣賞。

## PROSPECTS

Looking forward, we believe that the overall business environment would continue to be very tough and competitive. As an electrical appliance manufacturer with over 20 years experience, we would continue our focus on developing and designing superior electrical appliances and providing superior service to all our customers.

Since the beginning of 2006, the problem of labour shortage and electricity shortage seems to have eased off in the region of Huizhou where all our factories are located. Since January 2006, Huizhou government has made arrangements for corporations to purchase electricity on the two power-out days at a premium price. We estimated that the premium that we have to pay would be around 5% of our electricity cost which is lower than the cost if we were to use our own electricity generator.

To cater for future expansion of our manufacturing base, a wholly owned subsidiary of the Group has acquired 2 parcels of land in Huizhou, PRC. Currently, all our factories are located within Huizhou. Upon choosing the site for future expansion, we have considered more remote regions in PRC which offer attractiveness such as lower minimum wage requirement and cheaper electricity costs. However, after careful consideration, we believe Huizhou is still strategically more preferable in terms of logistics, infrastructure support and long-term relationship. At the present moment, the Group is working on the expansion plans. As it is extremely difficult to forecast the business and economic environment, we would take a very pragmatic approach and expand our manufacturing capabilities in several stages.

The Group is committed to the health and welfare of our employees. Back in 1996, we promoted anti-smoking and made all our offices and factories in both Hong Kong and PRC smoke-free. Beginning 1 April, 2006, we changed to 5-day work week for all employees in Hong Kong and PRC. We believe this change in working hours can improve our employees' social and family life and improve in the overall morale and hence bring about positive impact to the Group.

## 展望

展望未來，本集團相信整體營商環境將仍然非常艱困和充滿競爭。作為具有20年以上經驗之電器製造商，本集團將繼續專注於發展和設計最優質之電器並為所有客戶提供力臻完善之服務。

由二零零六年初起，惠州之勞工短缺及電力供應不足問題似乎已得到舒緩，而本集團之廠房全部均位於惠州。自二零零六年一月起，惠州政府安排企業於兩個停電日以溢價購買電力。本集團估計集團需支付之溢價將約為電力成本之5%，低於集團使用本身發電機之成本。

為配合本集團進一步擴展製造基地，本集團之全資附屬公司已購入位於中國惠州兩幅土地。目前，集團所有廠房均位於惠州。在甄選進一步擴展之選址時，集團曾考慮中國更偏遠之地區，該等地區在較低最低工資及較低電力成本方面更具吸引力。然而，經審慎考慮後，集團相信惠州在物流、基礎建設支援及長遠關係方面更具策略性優勢。現時，本集團正銳意計劃擴展的步伐及方向。由於難以預測營商及經濟環境，本集團將奉行非常審慎之策略，分階段擴展製造實力。

本集團致力保障僱員之健康和福利。早於一九九六年，本集團已實行禁煙，並在香港及中國各辦公室及廠房推行無煙環境。由二零零六年四月一日起，本集團之香港及中國各僱員改為每週五天工作。集團相信，改變工時可提升僱員之社交和家庭生活，並提高整體士氣，從而為本集團帶來正面影響。

PROSPECTS (continued)

The Group is also committed to protection of the environment. We adhere stringently to all legal requirements and regulations on environmental protection. In 2006, we embarked on the attainment of ISO14001 Environmental Management System accreditation. Currently, we are improving our air filter and waste water filter systems in our factories. Our target is to attain the accreditation by the end of this calendar year.

All in all, the Group remains committed to product development and product quality. We strongly believe in product excellence and would continue to focus on improving the techniques and know-how in manufacturing the different categories of electrical products.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March, 2006, the Group had total assets of HK\$611,658,000 (2005 restated: HK\$608,270,000) which was financed by current liabilities of HK\$132,812,000 (2005: HK\$134,652,000), long-term liabilities and deferred taxation of HK\$24,463,000 (2005 restated: HK\$22,139,000) and shareholders' equity of HK\$454,383,000 (2005 restated: HK\$451,479,000).

The Group continued to maintain a strong balance sheet and a healthy liquidity position. As at 31 March, 2006, the Group held HK\$187,160,000 (2005: HK\$171,593,000) in cash and bank deposits. They were mainly placed in US dollar short term deposits, except for temporary balances held in such non-US currencies as required pending specific payments. For the year ended 31 March, 2006, the Group generated net cash inflow from operating activities of HK\$50,341,000 (2005: HK\$75,051,000). As at 31 March, 2006, total borrowings were HK\$15,829,000 (2005: HK\$8,845,000) and the gearing ratio (ratio of total borrowings to shareholders' equity) remained low at 3% (2005 restated: 2%).

展望 (續)

本集團亦在環保方面不遺餘力。集團嚴謹遵守環保方面之所有法律規定及規例。本集團目標於二零零六年底考取得ISO14001環境管理系統認證。目前，集團正改善廠房之空氣過濾及廢水過濾系統。

總結而言，本集團將繼續致力於產品開發及產品質素。集團深信產品要精益求精。並將繼續改善不同類型電器產品之生產技術及知識。

流動資金及財務資源

於二零零六年三月三十一日，本集團之總資產為611,658,000港元(二零零五年重列：608,270,000港元)，資金來源包括流動負債132,812,000港元(二零零五年：134,652,000港元)、長期負債及遞延稅項24,463,000港元(二零零五年重列：22,139,000港元)及股東權益454,383,000港元(二零零五年重列：451,479,000港元)。

本集團持續保持雄厚資產，流動資金狀況亦相當穩健。於二零零六年三月三十一日，本集團持有187,160,000港元(二零零五年：171,593,000港元)現金及銀行存款。除持有臨時非美元資金以備支付所需特定付款外，其中大部分現金及銀行存款等資金已存入短期美元存款戶口。截至二零零六年三月三十一日止年度，本集團來自經營業務之現金流入淨額為50,341,000港元(二零零五年：75,051,000港元)。於二零零六年三月三十一日，借貸總額為15,829,000港元(二零零五年：8,845,000港元)，而資產負債比率(即借貸總額除以股東權益)為3%(二零零五年重列：2%)，仍保持在低水平。

LIQUIDITY AND FINANCIAL RESOURCES (continued)

Funding for day-to-day operational working capital and capital expenditures are to be serviced by internal cash flow. With the expansion plans and the move towards semi-automation in manufacturing, we anticipate that the future requirement of capital expenditure would increase in the coming few years. Nonetheless, with a strong financial position and available banking facilities, the Group is able to provide sufficient financial resources for our current commitments, working capital requirements, further expansions of the Group's business operations and future investment opportunities, as and when required.

Most of the Group's transactions were conducted in US dollars, Hong Kong dollars and Renminbi. The Group does not foresee any substantial exposure to foreign currency fluctuations and thus use of financial instruments for exchange rate hedging purpose is currently not considered. However, we will closely monitor the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

CAPITAL EXPENDITURES

For the year ended 31 March, 2006, the Group invested HK\$44,206,000 (2005: HK\$24,043,000) in plant and machinery, equipment, computer systems and other tangible assets. The majority of these capital expenditure were funded by internal resources except for some machinery which was funded by bank loans.

PLEDGE OF ASSETS

The Group has pledged certain prepaid lease payments and buildings having a net book value of approximately HK\$9,313,000 (2005 (restated): HK\$9,323,000) and HK\$440,000 (2005 (restated) HK\$574,000) respectively, to secure general banking facilities granted to the Group.

流動資金及財務資源 (續)

就日常營運所需之營運資金及資本開支而言，資金來源為內部流動現金。由於未來將會有擴張及半自動化發製造計劃，本集團預期未來數年資本開支之需求有所增加。本集團之財政狀況穩健，連同備用銀行信貸，定能提供充裕財務資源，應付現有承擔、營運資金需要，並於有需要時，供本集團進一步擴展業務及掌握未來投資商機所需。

本集團之交易主要以美元、港元及人民幣計價。基於本集團認為不會面對重大匯價變動風險，故並無考慮使用財務工具對沖匯率變動。然而，本集團將密切監察外匯風險及在有需要時考慮對沖重大外匯風險。

資本開支

截至二零零六年三月三十一日止年度，本集團在廠房、機器、設備、電腦系統及其他有形資產投資44,206,000港元(二零零五年：24,043,000港元)。資本開支大多由內部資源撥付，而部份機器則以銀行貸款撥資購入。

資產抵押

本集團已抵押賬面淨值分別約9,313,000港元(二零零五年(重列)：9,323,000港元)及440,000港元(二零零五年(重列)：574,000港元)之若干預付租賃款項及樓宇，以作為本集團獲授之一般銀行信貸之抵押。

### CONTINGENT LIABILITIES

As at 31 March, 2006, the Group did not have any significant contingent liabilities.

### EMPLOYEE AND REMUNERATION POLICIES

As at 31 March, 2006, the Group employed approximately 4,200 employees. The majority of our employees work in the PRC. The Group remunerated our employees based on their performances, experiences and prevailing market rates while performances bonus are granted on a discretionary basis. Share options may also be granted to employees based on individual performance and attainment of certain set targets.

### APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our sincere appreciation to our employees, shareholders and business associates for their contribution and support throughout the year.

On behalf of the Board

**Cheung Lun**  
*Chairman*

Hong Kong, 19 July, 2006

### 或然負債

於二零零六年三月三十一日，本集團並無任何重大或然負債。

### 僱員及薪酬政策

於二零零六年三月三十一日，本集團聘用約4,200名僱員。大部分僱員於國內工作。本集團按照僱員之表現、經驗及當前市場水平釐定僱員薪酬，績效花紅則由本集團酌情授出。本集團亦會於達致若干指定目標而視乎個人表現向僱員授予購股權。

### 致謝

本人謹藉此機會代表董事會衷心感謝各員工、股東及業務夥伴年內之貢獻及支持。

承董事會命

**張倫**  
*主席*

香港，二零零六年七月十九日