

CHIEF EXECUTIVE OFFICER'S STATEMENT

RESULTS & REVIEW

For the year ended 31 March 2006, the Group recorded a loss of HK\$59,736,000. Sales turnover of our core business in design and manufacture of home appliances fell to HK\$182.3 million (2005: HK\$280.9 million), a drop of 35.1%.

Undoubtedly, the past year was a difficult year. The year has witnessed dramatic rises in prices of raw materials such as copper, silicon steel, motor, transformer and crude oil which have adversely affected the cost of our products. The appreciation of Renminbi and raise of workers' wage have worsened the situation. Impact of the Restriction of Hazardous Substances Directives (RoHS) regulation from European Union legislation has also exerted pressure on our production costs.

As such, we had no choice but to increase the product prices last year, which however diminished our sales. Nevertheless, only part of the escalated costs could be recovered from our customers because of the keen competition in the industry. Besides, a number of new projects planned for the first quarter of the calendar year 2006 has been deferred to the third quarter, which also affected the overall performance of the past year.

A written off of HK\$13.0 million for unsold inventories was made during the year with HK\$2.2 million of loss on disposal of property, plant and equipment.

CORPORATE GOVERNANCE

The Company invariably believes that a high standard of corporate governance and transparency is of utmost importance. The Group's Audit Committee and Remuneration Committee are mainly composed of Independent Non-executive Directors. They supervised the Group's management and decided the matters of finance, operation, as well as the Directors' remuneration.

EMPLOYEES

The total number of employees in the Group stood at 1,825 as at 31 March 2006. Expenditure on staff (excluding emoluments of the directors) amounted to HK\$30.1 million. Employees are remunerated according to their performance and contribution. Other employee benefits include but not limited to provident fund, insurance, medical coverage, training program, as well as a share option scheme.

OUTLOOK

Core Business – Home Appliances Manufacturing

Since our establishment, our core business is engaged in design, manufacturing, and sales of home appliances and electrical products. Through years of incessant efforts, we have seized and secured a leading stance in the industry.

In view of the difficulties and uncertainties associated with the home appliances business, our management team has been taking positive steps to tackle the challenges. On the one hand, to prune down the production cost, we have adopted measures such as new production facilities acquired to foster a better production management, which not only increases the workers' per capita productivity but also lowers wastage and inventory. Simultaneously, we are going to adopt the Oracle enterprise resource planning system to facilitate cost control and profit analysis.

On the other hand, to broaden our revenue sources, a well recognized America household brandname distributorship for expanding OBM (original brand manufacturing) strategy has been acquired during the year in order to extend product line on hand. We also plan to expand the customer bases by appointing international and regional sales agents to procure and promote sales. We are developing and strengthening our marketing strategies and sales volume. We will continue to strive for improvement of profitability through new design and new products. We will also analyze the feasibility to extend our service and business potential with our industry partners through new forms of business like brand name building in the global market.

New Business with Enormous Potential

As oil and raw materials price soar, the production costs of home appliances are getting higher. In view of the foreseeable keen competition in the industry, the Group decides to diversify our business lines in addition to our manufacturing business, striving for higher profit gains.

As such, apart from manufacturing home appliances, the Group, after thorough research and analysis, decides to invest more of its resources into property development and related building materials business in order to increase our competitiveness.

Property Development

China's economy grows at a skyrocketing pace and people's living standard greatly improves. Therefore, demands for high-quality real estate products including residential units, villas, hotels and commercial complexes are high in many provinces and cities. We thus plan to place more resources into property development in both Mainland China and Hong Kong.

We are now actively exploring on a number of potential projects in the two regions.

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Building Materials Business

With rapid development in property market of Mainland China and Hong Kong, significant growth has also been noted in the building materials sector. Trendy and light-weight building materials are in high demand and shall become the mainstream in the building industry in the coming years. We are closely monitoring the associated business opportunities in the building materials markets.

Our ultimate aim is to take a strong stand in sales of household appliances through product renovations and differentiations, but simultaneously explore and engage in lucrative property development projects and related building material trade in both Mainland China and Hong Kong. We believe with diversification processes come to play, shareholders shall have a fruitful return for investment.

ACKNOWLEDGEMENT

I wish to express my heartfull gratitude to our business partners, shareholders and my colleagues for their continuous support and contribution to the Group.

Dr. Siu Miu Man

Chief Executive Officer

Hong Kong

24 July 2006