

Chairman's Statement

SUMMARY OF RESULTS

The consolidated turnover of the Group for the year ended 31 March 2006 was approximately HK\$280,876,000 (2005: HK\$204,472,000). Net loss attributable to shareholders for the year was approximately HK\$18,323,000 (2005: HK\$26,969,000).

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 March 2006 (2005: nil).

REVIEW OF OPERATIONS

For the year ended 31 March 2006, the Group's turnover increased by approximately 37.4% from approximately HK\$204,472,000 to approximately HK\$280,876,000 as compared to the previous year. Net loss attributable to shareholders narrowed to approximately HK\$18,323,000 (2005: HK\$26,969,000).

The Group's products mainly consisted of kettles, irons, coffee makers and grinders, and fan heaters. Geographically, Europe continued to be our largest market, accounting for approximately 56.2% of our total sales in the year. North America came second, accounting for approximately 25.0%.

During the year, the Group's results were hit by escalating raw material costs and labour costs in China. The price of copper (used in power cord and motors) and aluminium (used in iron soleplates) as quoted on the London Metal Exchange increased by approximately 62% and 28% respectively during the year ended 31 March 2006. Minimum wage in Shenzhen also increased from RMB480 to RMB580 per month in July 2005 (and then to RMB700 in July 2006). Thanks to the better margin of the new products launched during the year, the Group's gross profit margin recorded a slight improvement despite escalating costs.

The Group reduced its Hong Kong-based workforce by nearly one-third during the year. The decision was painful but necessary to maintain competitiveness in a difficult business environment.



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PROSPECTS AND OUTLOOK

Electrical appliance manufacturers will continue to face challenges in the coming year. The Group has successfully asked for price increases from customers to reflect the rise in raw material costs. However, the increase in raw material prices and labour costs in China will likely continue into the coming year. The Group's long term strategy is to rationalize its product mix by phasing out low-margin products while developing new products at the high-end tier.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders for their confidence in the Group, our worldwide customers for their trust and support in our products and services through the years, our staff for their dedication as well as our bankers and business associates for their continuing support.

Chan Tat

Chairman

Hong Kong, 25 July 2006

