

# 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 2006.

During the period, the Group recorded a turnover of HK\$1,089,200,000, representing a decrease of 6% from 2005. Net profit from ordinary activities attributable to shareholders was HK\$13,800,000.



## **BUSINESS REVIEW**

Save as last year, during the end of first quarter of year 2006, and at the beginning of April, in conjunction with the annual Canton Spring Fair held in Guangzhou, our major customers' representatives and their products' designers have visited the Groups' main showroom located at our ShenZhen manufacturing plant according to the appointment schedule, to select, and to discuss the products direction for the coming year so as to arrange delivery of the Spring and Summer orders starting from September of the same year. The orders are mainly for outdoor gardening products. Although the increasing price of petroleum related products and some metal products have been stabilized and which has already reflected in the export price of relative Peaktop's products, major customers are still relatively concerned about the pricing of the products. With innovative concept in product designing and more value-added features which enhance the quality of life, customers found our products value-for-money. These raise their desire to purchase and our products are well received by customers.

To continue the basic business principle for the creation of new products is not only to serve customers and end users better, but also to pull away distance from our competitors. We have been successful to achieve this basic principle for the past years. In addition to the creation of outlook and functional new products, the Groups Engineering Department has been under trendy guidance and never stop to try different raw and supporting materials, to improve the production process and to ensure the products quality. We are in process of trying to use materials such as, Magnesium and stainless steel to substantially replace the Polyresin which was our main raw materials in the past. We need also to put all of these efforts to keep our production costs within the reasonable range in order to offer the competitive prices in the market places.



As the Group has to keep the competitiveness as a whole and to comply with the new protection policy of certain country, therefore, we have invested to set up the production facilities in LuHe County of Sanwei City in Guangdong Province, China and the candle factory in HoChihMing City, Vietnam in 2005. The Group has continued its restructuring and consolidation process to adjust and to relocate the exited production facilities in China, according to the plan for year 2006 and 2007. This process will definitely help us to achieve the reduction of overheads and other expenses program and to maintain the profit margin. After the completion of disposal of Heissener AG, a subsidiary of the Group in Europe, the Group is now in process of disposing or restructuring another two overseas operation units, Waterwerks in Australia and Heissener UK in the United Kingdom for the purposes of further improvement of the profitability of the Group.

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

The management team has never ceased to carry out the restructuring process in accordance with the current business needs and to perform diligently for the direction and goal. At the same time, we always pay attention to the operational threats, risks and to make the necessary adjustment in order to create the profits for the shareholders. Meanwhile, the management is advised by the legal advisors in handling the current legal cases in order to protect the legal right and the interest of the Group. To create profit is the first priority of the Group's basic principle, and to increase market share is the second which has never been changed.



## **PROSPECTS**

Due to the world economic is still under the high crude oil prices situation and the structural changes of our customers happened in our main market, it will affect the demand for our products in the short term. But, I firmly believe that the Group will recover its sales revenue with its proven new product development capability, strong manufacturing expertise, excellent client base and the right production base layout after the very hard working in 2007 and 2008.

Through years of exploration, review and improvement, the Group has set out clear long-term goals. We will continue to consolidate our market competitive advantages, provide premium products to consumers to beautify their living environment, offer good working environment and self-enhancement opportunities to staff, create and add to shareholder value, 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, banks and business, partners for their continuous trust and support, and also to all of our staff for their dedicated efforts in facilitating the Groups business restructuring and perseverance in face of challenges.

**Lin Chun Kuei**

*Chairman*

Hong Kong, 23 April 2007