

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out under the section headed "Risk factors" of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

BUSINESS

The Group is principally engaged in the design, manufacture and sale of household electrical appliances such as electric fans, convector heaters, fan heaters, air cleaners, ovens, vacuum cleaners and other electrical products such as scooters and motors. These products are mainly sold to overseas trading companies and retailers under the customers' brand names or under the Group's brand name, *REGENT*. During the Track Record Period, about 99% of the Group's products were sold under the customers' brand names, while about 1% were sold under the Group's brand name. Sales of electric fans accounted for about 68%, 60% and 63% of the Group's turnover for each of the three years ended 30th April, 2002 respectively. Details of the Group's trademarks are set out in the paragraph headed "Intellectual property rights of the Group" under the section headed "Further information about the business" in Appendix IV to this prospectus.

The major market for the Group's products is Europe which accounted for approximately 62%, 59% and 48% of the Group's turnover for each of the three years ended 30th April, 2002 respectively. The Group also distributes its products to Asia (excluding the PRC), North America, South America, the PRC, Australia, New Zealand and other countries. The PRC is currently the second largest market for the Group's products which accounted for approximately 5%, 6% and 23% of the Group's turnover for each of the three years ended 30th April, 2002 respectively.

As at the Latest Practicable Date, the Group had more than 90 active customers which include overseas trading companies and retailers of household electrical appliances. The five largest customers of the Group accounted for approximately 26%, 22% and 24% of the Group's turnover for each of the three years ended 30th April, 2002 respectively.

The manufacture of the Group's products involves the use of a variety of materials including steel roll, copper wire and plastic resin which are either procured in the PRC or imported from overseas such as Thailand, Korea and Taiwan. For the three years ended 30th April, 2002, the percentage of materials imported from overseas was approximately 97%, 82% and 50% respectively, with the remaining portion procured inside the PRC. Purchases from the five largest suppliers of the Group accounted for approximately 35%, 32% and 24% of the Group's purchases for each of the three years ended 30th April, 2002 respectively.

The Group's current production plants are located in Changping Town, Dongguan City, Guangdong Province, the PRC with a total gross floor area of approximately 55,645 sq.m.. As at the Latest Practicable Date, the Group employed approximately 1,035 full-time workers stationed in the PRC for its production operation.

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The Group has consistently put great emphasis on the quality of products and was certified for the ISO 9002 accreditation in November 1997 from TÜV Anlagentechnik GmbH for establishing and maintaining a qualified system for the manufacture of electric fans, convector heaters and fan heaters. Recently, the Group was certified for ISO 9001 for establishing and applying a quality management system for the design and manufacture of electric fans and oil-filled radiators and manufacture of fan heaters and convector heaters.

The Directors consider that the success of the Group is primarily attributable to the following factors:

- its accumulated expertise in the design, production and sale of household electrical appliances;
- its effective control over the production process as a result of the technical know-how possessed by the Group;
- its continual efforts on research and development resulting in innovative product designs, protection of which is sought by applying for registered designs in various countries;
- the vertically integrated production process which comprises production facilities and labour for the manufacture of various basic components such as motors and switches in order to capture additional production premium as compared with those manufacturers who have to source basic components from other suppliers;
- its dedication to safety, product variety, product quality, cost control and environmental impact control;
- its goodwill in the household electrical appliances industry and customers' loyalty;
- its strict compliance with ISO 9002, ISO 9001 and other safety requirement quality assurance standards; and
- its well-established relationship with its suppliers and customers, most of whom have established business relationship with the Group for more than 4 years.

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RISK FACTORS

The Directors consider that the business of the Group is subject to a number of risk factors, which can be categorised into (i) risks associated with the Group, (ii) risks associated with the industry and (iii) risks associated with the PRC as follows:

(i) Risks associated with the Group

- *Reliance on key management*
- *Non-inclusion of a profit forecast for the year ending 30th April, 2003*
- *Sustainability of gross and net profit margins*
- *Credit risks*
- *Concentration on a single product category*
- *Dividend policy*
- *Reliance on major customers*
- *Environmental liability exposure*
- *Product liability*
- *Unproven track record on production of the Group's new air-ventilators*
- *Intellectual property rights*
- *Absence of any legal title to a piece of land in Dongguan City, the PRC for the Group's future development*
- *Capital contribution towards the registered capital of DGWLG has not been made*

(ii) Risks associated with the industry

- *Technological changes*
- *Competition*

(iii) Risks associated with the PRC

- *PRC's admission as a member of the WTO*
- *Political and economic considerations*
- *Legal and regulatory considerations*
- *Government control of currency conversion and exchange rate*

Further details are set out under the section headed "Risk factors" of this prospectus.

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TRADING RECORD

The following table summarises the Group's combined turnover and results for the Track Record Period prepared on the assumption that the current structure of the Group had been in place throughout the period under review. The summary should be read in conjunction with the accountants' report set out in Appendix I to this prospectus.

	Notes	Year ended 30th April,		
		2000 HK\$'000	2001 HK\$'000	2002 HK\$'000
Turnover	(1)	184,871	187,548	207,553
Cost of sales		<u>(121,130)</u>	<u>(111,475)</u>	<u>(118,392)</u>
Gross profit		63,741	76,073	89,161
Other revenue		569	1,658	1,610
Administrative expenses		(19,966)	(22,534)	(21,301)
Distribution expenses		<u>(12,223)</u>	<u>(9,576)</u>	<u>(8,473)</u>
Profit from operations		32,121	45,621	60,997
Finance costs		(2,380)	(2,903)	(1,581)
Share of results of an associate		(1,518)	–	–
Impairment loss recognised on property, plant and equipment		<u>–</u>	<u>–</u>	<u>(1,558)</u>
Profit before taxation		28,223	42,718	57,858
Taxation		<u>(2,698)</u>	<u>(6,715)</u>	<u>(6,658)</u>
Net profit for the year		<u>25,525</u>	<u>36,003</u>	<u>51,200</u>
Dividends	(2)	<u>18,600</u>	<u>25,000</u>	<u>10,000</u>
Earnings per Share – basic	(3)	<u>8.2 HK cents</u>	<u>11.5 HK cents</u>	<u>16.4 HK cents</u>

Notes:

- (1) Turnover represents the amount received and receivable for goods sold to outside customers less returns and allowances.
- (2) The source of payment of dividends was generated from internal resources.
- (3) The calculation of the basic earnings per Share is based on the profit attributable to Shareholders for the period under review and on the basis of 312,375,000 Shares in issue and to be issued, comprising 1,000,000 Shares in issue as at the date of this prospectus and 311,375,000 Shares to be issued pursuant to the Capitalisation Issue.

The Directors are aware of the requirement of Rule 8.06 of the Listing Rules which states that the latest financial period reported on by the reporting accountants must not have ended more than six months before the date of this prospectus.

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The Company has sought and obtained a waiver from strict compliance with such requirement from the Stock Exchange. The Directors confirm that they have performed sufficient due diligence on the Group to ensure that up to the date of issue of this prospectus, there has been no material adverse change in the financial position of the Group since 30th April, 2002, and there is no event which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.

Trading development from 1st May, 2002 to the Latest Practicable Date

During the period from 1st May, 2002 to the Latest Practicable Date, the Group recorded a steady increase of turnover and net profit compared with the same period in 2001. A higher proportion of the turnover were derived from heaters, which had a relatively higher profit margin compared with that of fans. After the Group's trial production of the oil-filled radiators in July 2002, the Group has commenced the commercial sale of this product. One of the reasons for the increase in turnover during the period was the commencement of sale of the oil-filled radiators. The production of this product has utilised the surplus production capacity of the Group during this period, which is usually a low season for the production of fans. Europe remained the principal market of the Group during this period.

FUTURE PLANS AND PROSPECTS

The Group has been adopting a prudent but progressive development strategy which has proven to be successful as evidenced by the Group's creditable track record during the Track Record Period.

The Group's production facilities have a monthly production capacity of approximately 500,000 units of products and are currently operating at about 80% of its full capacity. The Directors believe that such capacity constraint would limit the Group's future expansion. As a result, the Group intends to expand the production capacity of its production facilities by 50% through the acquisition of additional equipment and machinery. With the expanded production capacity, the Directors anticipate that the Group will be in a better position to increase its market share in the designated markets.

Currently, the design of 6 products of the Group have been registered. The Group actively pursues its continuous efforts to develop new products and improve the safety, the cost efficiency of its production process and the quality of its products. Furthermore, the Group will enhance its competitiveness by means of the following strategies:–

Capture market share

The Directors believe that the Group is capable of increasing its market share in the existing markets that the Group operates, such as Europe and the U.S., etc., and exploring opportunities in other overseas markets in light of:–

- its reputation in producing quality and innovative products;
- its long term relationship with a broad base of customers, which include trading companies and retailers; and
- its continuous efforts in research and development.

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Product enhancement and development

To maintain its competitive edge, the Group will strive to enhance its products through investment in research and development. The Group will continue to make an effort to enhance its existing production process and methods to provide cost efficient and high quality products for its customers. The product development team of the Group works closely with the sales and marketing team to obtain up-to-date information on market trends of and customers' requirements on household electrical appliances in order to respond promptly to the changing market trends and to explore new market opportunities. Apart from product development, the Group also emphasizes on the improvement of the production processes and methods to achieve lower production costs with higher efficiency. The Directors believe that proactive development strategy on the Group's products and the relevant production process and methods will enhance the Group's profitability.

Promotion of new products and the Group's own brands of products

In order to further expand its market share in overseas markets and maintain a closer relationship with its customers, the Group will continue to adopt the following marketing strategies:

- (a) strengthen product promotion through participation in international trade fairs and exhibitions in Hong Kong and other overseas cities, advertising and carrying out marketing campaign via the Internet, etc.;
- (b) expand the work force of sales and marketing staff; and
- (c) set up regional sales and promotional office to promote the Group's own brands of products.

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

In order to capitalise on the expected growth in the European and other targeted markets, the Directors intend to increase the Group's production capacity by expanding its production facilities. The Directors consider that the net proceeds from the New Issue can facilitate the Group's expansion plan.

The net proceeds of the New Issue, after deducting related expenses, are estimated to be approximately HK\$43 million. It is intended that the net proceeds will be applied as follows:

- (i) approximately HK\$12 million for expanding the Group's current production facilities and purchasing additional machinery to increase its production capacity;
- (ii) approximately HK\$8 million for product development and promotion of new products;
- (iii) approximately HK\$5 million for product research and development;
- (iv) approximately HK\$4 million for setting up logistics centre to improve the Group's efficiency in inventory control and distribution;

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- (v) approximately HK\$4 million for setting up regional sales and promotional office and promoting the Group's own brands of products; and
- (vi) the remaining balance of approximately HK\$10 million as general working capital of the Group.

To the extent that the net proceeds of the New Issue are not immediately required for the above purposes, it is the present intention of the Directors to place such net proceeds on short-term deposits with licensed banks or financial institutions in Hong Kong and/or the PRC. Should the Over-allotment Option be exercised in full, additional net proceeds of approximately HK\$11 million will be available and the Directors intend to use the additional net proceeds as additional general working capital of the Group.

SHARE OFFER STATISTICS

Offer Price	HK\$0.80 per Share
Market capitalisation (<i>Note 1</i>)	HK\$300 million
Historical earnings per Share (<i>Note 2</i>)	16.4 HK cents
Historical price/earnings multiple (<i>Note 3</i>)	4.88 times
Adjusted net tangible asset value per Share (<i>Note 4</i>)	39.7 HK cents

Notes:

1. The calculation of market capitalisation is based on the Offer Price and the 375,000,000 Shares to be in issue immediately after completion of the Share Offer and the Capitalisation Issue but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or which may be allotted and issued or purchased by the Company pursuant to the mandates for the allotment and issue or purchase of Shares referred to in the paragraph headed "Written resolutions of all the shareholders of the Company dated 26th November, 2002" in Appendix IV to this prospectus. If the Over-allotment Option is exercised in full, the market capitalisation of the Shares would be approximately HK\$311.25 million.
2. The calculation of the historical earnings per Share for the year ended 30th April, 2002 is based on the Group's combined net profit attributable to Shareholders for that financial year and on the basis of 312,375,000 Shares, being the aggregate of 1,000,000 Shares in issue as at the date of this prospectus and 311,375,000 Shares to be issued pursuant to the Capitalisation Issue.
3. The historical price/earnings multiple is based on the historical earnings per Share of 16.4 HK cents for the year ended 30th April, 2002 referred to in note 2 above.
4. The adjusted net tangible asset value per Share has been arrived at after making the adjustments referred to under the paragraph headed "Adjusted net tangible assets" in the section headed "Financial information" and the 375,000,000 Shares as calculated in note 1 above. If the Over-allotment Option is exercised in full, the adjusted net tangible asset value of the Group and the adjusted net tangible asset value per Share would be HK\$159.7 million and 41.1 HK cents respectively based on the Offer Price.