



SUMMARY OF RESULTS

The consolidated turnover of the Group for the year ended 31 March 2004 decreased by approximately 27% to approximately HK\$209,429,000 (2003: HK\$288,455,000). Net loss from ordinary activities attributable to shareholders for the year was approximately HK\$10,640,000 (2003: Net profit from ordinary activities attributable to shareholders HK\$27,475,000).

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 March 2004 (2003: a final dividend of HK 2 cents per ordinary share totaling HK\$4,800,000).

REVIEW OF OPERATIONS

During the year, the Group recorded a turnover of approximately HK\$209,429,000 as compared to approximately HK\$288,455,000 in the year ended 31 March 2003, and net loss from ordinary activities attributable to shareholders of approximately HK\$10,640,000 as compared to net profit from ordinary activities attributable to shareholders of approximately HK\$27,475,000 in the previous financial year. The Group's turnover was affected by the outbreak of the Severe Acute Respiratory Syndrome ("SARS") epidemic in the Mainland China and Hong Kong, which made our overseas customers cancel their scheduled buying trips during the SARS-affected period for their traditional peak season in Christmas.

Chairman's Statement

The gross profit margin of the Group was adversely affected by two reasons. Firstly, the severe competition from the electrical appliance manufacturers in Mainland China created tremendous pricing pressure on the Group's products. Secondly, the costs of certain major raw materials such as stainless steel and plastics increased substantially during the year. The costs of thermostats and connectors, which are major components of our kettle products and are sourced from the United Kingdom, also increased due to the appreciation of Sterling Pound. With keen market competition, the Group could not pass on such additional costs to our customers.

PROSPECTS AND OUTLOOK

The Group holds a cautiously optimistic view for the coming year. We expect price competition will remain keen. Raw material costs will stand firm in view of rising oil prices and huge industrial demand in China. To broaden our revenue streams, we will develop products with higher margins such as coffee related accessory products. During the year, sales of coffee grinders has more than quadrupled from approximately HK\$3,774,000 in last year to approximately HK\$17,577,000. Besides, the Group has started to develop home comfort and personal care products which are expected to be launched in the coming year.

During the year, the Group's testing laboratory came into operation. Our laboratory had been approved by TUV Rheinland, a leading international technical service provider. In the past, we had to submit our products to independent laboratories for safety testing before they could be sold in the market. This process took time and sometimes resulted in delays of shipment of products. With our own laboratory, we can now conduct safety testing ourselves and control the turnaround time of our products, thus improving the service quality to our customers.



The Group will also adopt stringent cost control measures. The total number of staff decreased from 1,359 as at 30 September 2003 to 1,250 as at 31 March 2004 mainly due to the reduction of production workers. In order to remain competitive in the marketplace, the Group will continue to seek ways to reduce its overhead costs.

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 and Managing Director

Hong Kong, 26 July 2004