

CHAIRMAN'S STATEMENT

The Group's results turned into profit this year after undertaking a series of measures to rationalize its operations. The Group's paint operation continued to record an increase in revenue which benefited from the strong economy growth in the PRC. Despite the increase in oil prices resulting in the increase in the cost of related materials, the Group was able to prevent significant increase in production cost through stringent purchasing measures and rigorously monitoring and improvement of the production process. The Group has also developed and manufactured new paint products, promoted new markets and enhanced its competitiveness. On the other hand, the Group disposed of certain investments during the year and recognised the resulting profits.

RESULTS

Profit attributable to the equity holders of parent company for the year was approximately HK\$18.74 million, as compared to a loss of approximately HK\$7.87 million last year. The paint business contributed an operating profit of approximately HK\$37.28 million, together with the gain on disposals of certain investments and the discontinued operations, the Group's results turned into profit this year.

Revenue for the year amounted to approximately HK\$611.05 million, representing an increase of approximately 10.8% when compared with that of last year. Gross profit increased by approximately 9.5% when compared with that of last year to approximately HK\$185.56 million. The increase was mainly due to the increase in gross profit of paint operations.

OPERATIONS

Paint products

Revenue for the year amounted to approximately HK\$569.43 million, representing an increase of approximately 13.4% when compared with that of last year. The operation focused its business on the PRC market and achieved an increase of approximately 17.7% in revenue over that of 2005. The Group will continue to focus on the PRC market. Operating profit for the year amounted to approximately HK\$37.28 million, representing a decrease of approximately 11.4% when compared with that of last year. This was mainly due to the increase in selling and administrative expenses for the development and promotion of new paint products. During the year, new paint products, namely Flower Odourless All-in-1 Wall Finish, Flower Supreme Jasmine Synthetic Enamel and Giraffe Low Odour NC were launched and well received by the market. The Group has purchased a piece of land in Xinfeng, Guangdong Province, the PRC for future development of the paint operation.

OPERATIONS (continued)**Property investment**

Revenue for the year amounted to approximately HK\$6.10 million, representing an increase of approximately 17.5% when compared with that of last year. Operating loss for the year amounted to approximately HK\$11.17 million compared with a loss of approximately HK\$1.74 million last year. This was mainly due to a significant amount of fair value gain on our investment properties was recognised last year but was not recurrent this year. The disposals of the Dalian Project and the Futian Property were completed during the year. Subsequent to the year under review, the Group has entered into a sale and purchase agreement with an independent third party to acquire a luxury residential house in "The Vineyard" at a cash consideration of approximately HK\$36.48 million in order to widen its assets base and to achieve a potential good long term capital gain in future.

Others*Iron and steel trading*

Revenue for the year amounted to approximately HK\$35.53 million, representing a decrease of approximately 18.1% when compared with that of last year. Despite the decrease in revenue, additional commission income was received during the year. The business continued to make a steady contribution to the Group.

Available-for-sale investments*Cemetery project*

The Group has an effective 11.5% interest in the cemetery project situated in Si Hui City, Guangdong Province, the PRC. The principal activities of which are the development, construction, management and operation of a cemetery garden. The main types of products for the cemetery are outdoor grave lots, ordinary columbarium niches and luxury columbarium niches. The site formation of the first 100mu (approximately 66,600m²) of the initial phase together with the construction of entry square, sales and administration building, one of the memorial halls and four grave yards had been completed during the year.

Other investments

The disposal of Shenzhen Huate Packing Co., Ltd. was completed during the year. In addition, the Group has also disposed of its interests in the auction house operation, operation of retail outlets under the brand "Shanghai Tang" and the marble and granite and fuel operations. The resulting gain has been recognised in the accounts. The disposals coincide with the Group's long term objective to rationalize its structure and also represent a good opportunity to realise its investments at reasonable prices.

OUTLOOK

Looking ahead, we expect that 2007 will be volatile. Persistent high oil prices and the possible slow down of the economy of the United States continue to be risk factors that may hinder the growth of the global economy. On the other hand, the tightening of the safety and environmental protection regulations and the increase in labour costs in the PRC continue to exert operating cost pressure on the Group. The Group focuses on its paint operation. Despite the keen market competition, the Group will continue to strengthen overall sales and costs control to secure a better margin. In order to maintain the high quality standards of our products and to maximize business opportunities, the Group has purchased a piece of land in Xinfeng, Guangdong Province, the PRC for future development of the paint operation. With the continuance of the economy growth in the PRC and the Group's performance for this year, the Group will continue to leverage on its proven business model in expanding its business operation in the PRC and maximizing returns to shareholders.

Lam Ting Ball, Paul

Chairman

16 April 2007