Managing Director's Statement

The Group achieved a remarkable 30.3% increase in its turnover in 2004, largely due to strong demand for our products fuelled by Mainland China's continued economic growth. However, our net profit remained relatively constant, because of constant rises in the price of crude oil that pushed up the cost of raw materials, as well as higher labour costs on the Mainland.

We responded to these challenges by energetically instituting cost-control measures, effective price-management, and a flexible response to developments within the market. Where possible, we passed on part of our increased costs to customers, but we had to absorb the balance ourselves. We also maintained our commitment to "quality products and services" by providing excellent products and efficient delivery systems.

Despite intense competition and downward pressure on prices, the Group's core paints and solvents businesses performed especially well in 2004. The total sales recorded an encouraging growth, although the profit margin declined from 29.3% to 22.1%. Our associate company, Weilburger Manfield Limited ("Weilburger"), substantially increased its sales of mobile phone coatings by capturing greater market share.

The Group's new factory in Guangzhou came into full operation during 2004, and we purchased additional machinery for our other operations. These measures boosted our production capacity and enabled us to satisfy the growing needs of our customers, as well as enhancing our quality standards.

The excellence of our products and services continued to gain recognition last year. We were honoured to receive the "Award of Guangdong Province Quality Management" from the Guangdong Province Quality Association, and the "Guangdong Province Customer Satisfaction Service" award from the Guangdong Province Customers Committee.

Continuing improvement in the Hong Kong economy and Mainland China's economic growth are expected to improve the Group's prospects during the coming year. The upward trend in crude oil prices seems to have levelled off for the moment, although they are likely to remain comparatively high. However, competition in the market is likely to exert pressure on our profit margin.

In response, we intend to continuously review our pricing policies, passing on some of the extra costs to customers where possible. We will also implement more effective and responsive cost-control policies. To avoid paying import duties, we will also source more of our raw materials in Mainland China.

Managing Director's Statement

Good customer relationships are crucial to maintaining our competitive edge. Our goal will be to continue working closely with our customers to meet their highest expectations. We will adopt innovative and flexible logistics methods to ensure prompt deliveries. Besides enhancing our reputation as a reliable supplier, this will enable us to gain new customers.

We plan to expand our production capacity further in the future, to meet the needs of our customers throughout China even better. The new factory buildings adjacent to our existing Shenzhen plant will begin production during the third quarter of this year, and Weilburger will build a new factory in Wuxi to expand its market share in Eastern and Northern China. We will also build another new factory in Guangzhou to serve Southern China.

I would like to take this opportunity to pay tribute to all the hard work and dedication of all our employees, who made the Group's progress in 2004 possible. We will continue to invest in their training and development, enabling them to enhance their skills and strengthen our team.

On behalf of the Board, I would also like to acknowledge the loyal support of our customers, suppliers and shareholders, as well as thank my fellow Directors for their contributions.

Advancing along the road of "quality and reliable service" advocated in our corporate philosophy, I am certain the Group will continue to surmount challenges and achieve new successes in the future.

Yuen Shu Wah
Managing Director

Hong Kong, 13th April, 2005