

MANAGING DIRECTOR'S STATEMENT

The Group managed to achieve an increase of 7.6% in our gross profit and 1.5% in net profit during 2005 through continued sales expansion to outside customers despite reduced sales to our associated company resulting in a small decrease of 5.4% in consolidated turnover.

The high price of crude oil and increased labour costs had a negative effect on general market conditions. These factors made our customers cautious about placing orders, as well as very sensitive about product prices.

In addition, we faced continuous increases in the prices of the key petroleum-based raw materials that we use to manufacture our products, and other raw materials and labour costs. The low-price strategies adopted by our competitors created fierce competition in the market and exerted strong downward pressure on the Group's profit margins.

Notwithstanding these factors, the Group was able to maintain our profit figure by sales increase to outside customers and to pass on some of our increased raw material costs in the form of slightly higher prices. Slight price adjustments were deemed acceptable by customers who appreciated our energetic improvement in operations, products and customer services. Cost-control measures were tightened, and workflow processes and the ERP system were enhanced. We sought out less-expensive sources of raw materials, and reinforced our supply network. Major investments were made to improve the efficiency and safety of our production facilities.

"Quality Products and Services" remained our guiding principle in expanding our market share, bolstering customer relationships and enhancing customer satisfaction.

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Our associate company Weilburger Manfield Limited ("Weilburger Manfield") substantially increased its sales of mobile phone coatings, which contributed to the Group's increased total profit. Demand for the paints used in toy manufacturing remained stable; while significant growth in consumer electronics sales produced greater demand for the Group's products from this sector.

The excellence of the Group's products and services continued to receive recognition in the forms of various accolades during the course of last year.

Looking ahead, we are still concerned about the volatility of oil prices. These will have a major influence on the world's economies in 2006. We will meet the future challenges by constantly upgrading our products and services, thereby reinforcing our competitiveness. Building our existing customer relationships and broadening our customer base will remain our major goals. We will strive to increase sales of our high-yield products, and products for the electronics market. These efforts will be supported by the greater demand that is expected to arise from the arrival of more manufacturers in China.

Weilburger Manfield's new factory in Wuxi will start to serve the growing markets in Central and Northern China during 2006, and this will contribute to the growth of the Group's profit.

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On behalf of the Board, I would like to express my thanks to all the Group's employees for their hard work and outstanding efforts during 2005. 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.

The road ahead has tremendous potential; yet, we know that we will also encounter numerous challenges along the way. By upholding our corporate commitment to "quality and reliable service", I am certain we will overcome those challenges and reap rich rewards in the coming years.

Yuen Shu Wah

Managing Director

Hong Kong, 12th April, 2006