

Chairman's Statement

In July 2005, subsequent to the completion of an unconditional mandatory cash offer in accordance with Rule 26 of the Hong Kong Code on Takeovers and Mergers, China Time Investment Holdings Limited ("China Time") successfully took over the majority shareholdings in the Company. Despite the changes in the majority shareholdings in the Company, the Group maintains its principal activities in the design, manufacture and sale of optical products. However, during the year, the new management managed to introduce to the Group an agency services business in relation to the sale of chemicals including phosphorus and other related chemicals to broaden the income base of the Group.

During the year, the Group also successfully completed a loan restructuring agreement with its creditor, pursuant to which its creditor has waived the outstanding principal, interests and default interests of a promissory note due by the Company to this creditor. Subsequently, the Group issued and delivered a new promissory note to its creditor, in consideration of which this creditor undertook to waive the debt together with the accrued interest thereon amounting to approximately HK\$67 million due from the Group.

During the year, the results for optical business were not satisfactory in respect of both revenue and profit prospect. The decrease in profit is mainly due to the increase in costs of oil, raw materials and components and also the lower capacity utilisation. The Group's shared profit before tax from the Group's 50% owned associate reported a large increase to approximately HK\$8.3 million this year.

In the coming year, the Group will focus on becoming a major "one-stop shop" manufacturing partner in sunglasses, eyeglasses, lens and accessories for international brand holders, reputable wholesalers and retail chains globally. The Group will continue to enhance operating cost efficiency and improve productivity by consolidating its manufacturing and production resources in the Shenzhen and Dongguan plants. In order to improve sales growth, the Group will try to expand our OEM/ODM/OBM client base globally and continue to expand our brands portfolio and new market shares in China and Asia following the successful distribution launch of 2 licensed brands from Germany in the China market in this year.

The Board considers the newly introduced agency services business has assisted in broadening the income base of the Group and in enhancing profitability. Thus, the Board will continue to search for opportunities in other business ventures to further broaden and diversify its current business profile so as to enhance profitability.

On behalf of the Board

Zhao Jun
Chairman

Hong Kong, 24 April 2006