

Dear fellow shareholders,

#### General

The Group's total turnover for the year ended 31 December 2006 reached HK\$100.1 million, representing an increase of 4.0% over the previous year. Profit attributable to shareholders was HK\$42.1 million.

As you may recall, in order to enhance shareholders' value, we adopted in 2005 a special dividend policy for the financial years 2005 and 2006. We are proposing a final dividend of HK3 cents per share (2005: HK3 cents per share) and a special final dividend of HK3.5 cents per share (2005: HK2 cents per share) subject to approval by shareholders at the Annual General Meeting on 13 June 2007. This together with the interim and special dividends of HK\$33.0million already declared, will make a total dividend of HK\$49.9 million for 2006 (2005: HK\$46.0 million).

Marketing initiatives, brand building, operational efficiency and cost management continued to be our focus during the year. While we followed a strategy to invest in brand building on a continuous basis, we have managed to improve our production efficiency and consequently reduce our production costs by introducing a number of cost-saving measures. In addition, we commenced a new sole distributorship in Singapore in September 2006, which we expect would help improve efficiency in distributing our products there.

#### Outlook

Building on a well-recognised brand reputation and solid business foundation, the Group will continue focusing on brand building and market development in other geographical markets. In these respects, we have undertaken the following:

We hosted environmental and community activities co-organized by Friends of the Earth early in 2007. A school touring drama aimed at promoting environmental protection has been well received by students in 21 primary schools, which is still ongoing to cover 23 primary schools. This may become an ongoing project to extend this environmental promotion as well as rejuvenate our brand image to secondary school students starting this fall.

Early in 2007, we extended our coverage in PRC by listing our products in a new chain store with over 300 sale points in Beijing. We also have intention to start applying product registration of our Hoe Hin Strain Relief (Wood Lok Oil) in Thailand, which is one of our target markets for increasing our customer base of the same product in medium term.

To streamline our investments portfolio, we are planning to dispose of certain non-core investment properties that generate less return. In addition, while we concentrate mainly on our core business in "Hoe Hin" brand of products, we are considering other opportunities to generate better return from our surplus cash.

#### Appreciation

Now, we are celebrating our 80th anniversary. I would like to take this opportunity to express our gratitude to our past and current directors, and to our staff for their dedication and hard work and to the investors for their continuous support.

By order of the Board

GAN Wee Sean  
*Chairman*

Hong Kong, 18 April 2007