

Chairman's Statement

During the year, the results for optical businesses continued to be disappointing. However, the Group's share of profit from its investment in the lenses business increased significantly from approximately HK\$8.3 million in 2005 to approximately HK\$20.3 million in 2006.

The Group consolidated its optical business manufacturing base by moving its manufacturing activities from Shenzhen to Dongguan. This assisted the Group to streamline its existing operations for the Group's optical business.

Subsequent to the introduction to the Group the agency business in relation to the sale of chemicals including phosphorus and other related chemicals in 2005, the Group successfully broadened its income base during the year by further diversification into the operation of manufacturing and sale of phosphoric acid in Guangxi. The results of the newly introduced manufacturing business are very encouraging with a profit contribution of approximately HK\$21.8 million for 2006 since its commencement of business.

In January 2007, the Group further diversified its business through upward vertical integration by commencing its own production and sale of phosphorus in Yunnan supplying the main raw materials for the production of phosphoric acid in Guangxi. We envisage this will further enhance profitability and production efficiency.

The Board considers the newly introduced phosphorus business has successfully broadened the income base of the Group and enhanced profitability. Hence, the Board will continue to identify suitable projects and investment opportunities for further diversifications, in particular, further development in the phosphorus related industry segment in the PRC.

On behalf of the Board

Zhao Jun

Chairman

Hong Kong, 26 April 2007