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RESULTS AND BUSINESS REVIEW

The Group recorded a turnover of approximately HK$115.6 million for its optical business and approximately HK$119.6 million for its newly introduced phosphorus business. In aggregate, total turnover was approximately HK$235.2 representing an increase of 60.02% compared with last year. The gross profit margin were approximately 11.2% compared with approximately 4.2% last year. This is primarily due to the introduction of the phosphorus business during the year. Loss after minority interests were approximately HK$5.6 million during the year compared with a gain of approximately HK$45.9 million in last year. This is primarily due to the absence of a non-recurred income amounted to approximately HK$67.7 million related to an exceptional gain due to a waiver of debt and accrued interest from a shareholder, Probest Holdings Inc. ("Probest") and the consolidation costs of the two manufacturing plants for the optical business production into one in the Dongguan production centre.

Optical business

Sales orders for the current year aggregated to approximately HK$119.6 million, versus last year of HK$144.8 million. Selling and administrative expenses decreased from approximately HK$27.3 million in 2005 to HK$23.8 million this year. Other operating expenses have increased by approximately HK$12.6 million mainly due to the increase in retrenchment costs and the provision for impairment for certain property, plant and equipment. Finance costs in 2006 represented the interest on promissory note and the loan due to Probest. Income of an exceptional nature also included approximately HK$ 3.6 million earned from gain on disposal of a subsidiary's land use rights and buildings.

The shared profit before tax from the Group's associates was approximately HK$20.3 million, versus approximately HK$8.3 million recorded last year.

Phosphorus business

During the year, the Group successfully launched its sale and manufacturing businesses in phosphoric acid in July 2006. Sales orders for the current year totaled approximately HK$119.6 million and sales networks of the Group successfully extended into the East Asia region. Selling and administrative expenses were approximately HK$8.2 million during the year.

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FUTURE OUTLOOK

Optical business

Following the consolidation of the two manufacturing plants into one in the Dongguan production centre, the Group is laying a solid foundation for a well-aligned and re-energized factory with manufacturing capabilities in metal, plastic hand-made and plastic injection molded frames. The Group expects such unification will give the management a renewed focus with a clear direction, also enhance inter-production plants effectiveness and cost efficiency and boost loyalty amongst the staff.

The Group will focus to provide one-stop services to its key customers and at the same time improve our ability to produce high-end optical products. There are encouraging signs as several sizeable brands distributors have begun new product development with the Group, in addition that the Group is already the manufacturing partners of some of most popular brands in the optical industry, which further reinforces the Group's industry positioning.

Phosphorus business

Further to the introduction of the agency services business in 2005 in relation to the sale of chemicals including phosphorus and other related materials, the Group successfully launched its new manufacturing and sale businesses of phosphoric acid and yellow phosphorus in the second half of 2006 and the beginning of 2007 respectively. These new projects enable the Group to build up a solid platform to gain further experience in operating and managing chemical business and to provide the Group a vertically integrated structure for its phosphorus products manufacturing business to enhance profitability.

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FUTURE OUTLOOK (cont'd)

Phosphorus business (cont'd)

In the light of the growing economy and rich phosphorus resources in the PRC in recent years, the Group is optimistic about the future of its phosphorus related chemical industry segments. The Group will further strengthen and expand its existing sales team for its phosphorus products. The expanded sales team will be responsible for soliciting new customers and maintaining relationships with existing customers in both domestic and international markets. This will enable the Group to further extend its existing sales networks. In order to satisfy the increasing demand of its products, the Group is also looking for opportunities to expand its existing production capacity. These expansions may be funded by internal resources of the Group or such other means to be determined by the management. Given the fact that the Board possesses considerable expertise in international trade and in light of the extensive application of yellow phosphorus, the Board is confident that the Group will gradually establish its presence in the phosphorus related chemical industrial segments to further broaden its income base and enhance profitability.

The Board, with its experience in the chemical industry together with the Group's existing platform, will continue identifying opportunities to further develop its business into other phosphorus and phosphorus related chemical industry segments in the PRC. In particular, the Group is contemplating to further diversifying into the business of the manufacturing and sale of PVC in the PRC. In order to achieve this, feasibility studies are undertaken to study the PRC domestic PVC markets, the production logistics as well as the suitable sources of funding.

LIQUIDITY AND FINANCIAL REVIEW

The Group mainly finances its day to day operations with internally generated cash flow. As at 31 December 2006, the current ratio of the Group, measured as total current assets to total current liabilities, was 0.67:1.

During the year, the Group recorded a cash outflow from operations of HK$14.6 million. The Group also recorded an amount of HK$8 million dividend received from associates and an amount of HK$28 million for the cash consideration in relating to the disposal of a subsidiary's land use rights and buildings. As at 31 December 2006, the Group recorded an aggregate amount of approximately HK$180.91 million due to Probest. Out of which, the principal amount of the promissory note amounted HK$112.2 million and the accrued interest of approximately HK$15.1 million due to Probest have been due. The Group is now negotiating with Probest about the possibilities of extension in repayment of such due principal and accrued interest of the promissory note. In addition, the Group is also considering other means to improve its overall liquidity and financial situations.

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LIQUIDITY AND FINANCIAL REVIEW (cont'd)

The Group conducts its business transactions mainly in Hong Kong dollars, US dollars, Euros and Renminbi. The Group did not arrange any forward currency contracts for hedging purposes. Whilst most of the Group's cash is denominated in currencies directly and indirectly linked to the US dollars, the exposure to exchange fluctuation in gains and losses is minimal. The Group's promissory note and a loan due to Probest bear interest at a rate equivalent to 1% over Hong Kong prime rate per annum. The Group's borrowings are mainly denominated in Hong Kong dollars.

GEARING RATIO

The gearing of the Group, measured as total debts to total assets, was 103.85% as at 31 December 2006, as compared to 93.5% as at 31 December 2005.

CORPORATE TRANSACTIONS

On 11 May 2006, the Group entered into several conditional agreements enabling the Group to commence its businesses in the manufacturing of, inter alia, phosphoric acid and yellow phosphorus. These agreements were subsequently approved by the shareholders of the Company in an extraordinary general meeting held on 19 June 2006. These agreements are summarised as follows:–

(i) the Guangxi Leasing agreement where the Group leases certain premises including production factory, its ancillary structures and the machinery and equipment located in these premises in Guangxi. Subject to renewal, the lease will expire on 31 December 2008. The Group commenced its phosphoric acid business in July 2006.

(ii) the Guangxi Agency agreement where the Group engages an selling agent for its phosphoric acid. Subject to renewal, the agreement will expire on 31 December 2008.

(iii) the Guangxi Raw Materials Purchase Agreement where the Group engages a company or its associate(s) to supply yellow phosphorus for its production of phosphoric acid. Subject to renewal, the agreement will expire on 31 December 2008.

(iv) the Guangxi Distribution Agreement where the Group engages a distributor to distribute its phosphoric acid products. Subject to renewal, the agreement will expire on 31 December 2008.

(v) the Yunnan Leasing agreement where the Group leases certain premises including production factory, its ancillary structures and the machinery and equipment located in these premises in Yunnan. Subject to renewal, the lease will expire on 31 December 2008.

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CORPORATE TRANSACTIONS (cont'd)

For further details of the above transactions, please refer to the announcement dated 11 May 2006 and the circular dated 2 June 2006.

On 2 June 2006, the Group disposed certain land and buildings located in Shenzhen beneficially owned by an indirect subsidiary of the Company in the form of a Sino-Foreign Joint Venture ("the Joint Venture") due to a land requisition and compensation exercise in the region.

Further to the entering of this requisition and compensation agreement, the Group entered into a winding-up agreement on 2 June 2006 pursuant to which the operation of the Joint Venture will cease and the winding-up procedures will commence after 18 months from the date of signing of the agreement. On 2 June 2006 the Group, and the Sino party of the Joint Venture also entered into an indemnity agreement pursuant to which the Group will indemnify any loss caused to the Sino party up to an amount of RMB 9.5 million in case any creditors of the Joint Venture call in any liabilities during the period up to the completion of the wind-up procedures of the Joint Venture.

For further details of the above transactions, please refer to the announcement dated 5 June 2006.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

As mentioned above in the section "Corporate Transactions", the Group disposed two parcels of land use rights and buildings of Shenzhen Heng Gang Swank Optical Industries Co. Ltd ("Henggang") during the year, an indirect non-wholly owned subsidiary of the Company due to a land requisition and compensation exercise in Shenzhen. The compensation of this requisition and compensation exercise was approximately HK$28.0 million in total, of which HK$9.0 million was distributed to 19.27% minority shareholder of Henggang.

Save as disclosed above, there was no other material change on the investment held and also no other material acquisition or disposal of any subsidiary and associate of the Group during the year.

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CAPITAL COMMITMENT, CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2006, the Group had no material capital commitment and no charge on the Group's assets.

As at 31 December 2006, the Company has contingent liabilities amounted to approximately HK15m due to a guarantee issued by the Company to a shareholder in 2005 in respect of the due interest payment payable by a subsidiary. The Group has fully provided for such amount.

Details of contingent liabilities of the Group are set out in note 37 to the financial statements.

HUMAN RESOURCES AND SHARE OPTION SCHEME

As at 31 December 2006, the Group had 1,808 employees. The Group's remuneration policy is primarily based on the individual performance and experience of employees including directors, prevailing industry practice and market rates. In addition to the basic salaries, the Group provides staff benefits including medical insurance and contributions to the provident fund. Discretionary bonuses are also available to the Group's employees depending upon the overall performance of the Group. The Group also provides appropriate training programmes for benefits to employees' better personal development and growth.

Pursuant to the Company's share option scheme adopted on 28 May 2002 for a period of 10 years, the Company may offer to any employee of the Group options to subscribe for shares in the Company. As at 31 December 2006, total number of share options outstanding amounted to 10,000,000 were held by an employee. No share option was exercised during the year.

On behalf of the Board

Li Wei
C.E.O.

Hong Kong, 26 April 2007