

The directors present their first annual report and the audited financial statements of the Group for the year ended 31 December 2006.

GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 12 November 2004.

Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company has entered into a share swap agreement with its shareholder in 2005. In 2006, the subsidiary of the Company also completed a share transfer to complete the reorganisation. Details of the reorganisation are set out in note 1 to the consolidated financial statements. On 15 May 2006, the Company became the holding company of the companies now comprising the Group.

The shares of the Company have been listed on the Main Board of the Stock Exchange since 23 June 2006.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 35 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2006 are set out in the consolidated income statement on page 24.

The directors recommend the payment of a final dividend of HK3.33 cents per share for the year ended 31 December 2006 to the shareholders whose names appear on the register of members on 30 May 2007 amounting to approximately HK\$8,000,000, and the retention of the remaining profit for the year.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past four financial years is set out on page 62 of the annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2006, the Company's reserves available for distribution to shareholders were as follows:

	2006 HK\$'000	2005 HK\$'000
Share premium	30,609	–
Contributed surplus	145,058	145,058
Accumulated losses	(874)	(489)
	174,793	144,569

Under the Companies Law of the Cayman Islands, the share premium account and the contributed surplus are distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

INVESTMENT PROPERTIES

Details of the investment properties of the Group are set out in note 13 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 25 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Yeung Hoi Shan (*Chairman*)

Mr. Wong Wing Choi (*Chief Executive Officer*)

(appointed on 5 June 2006)

Mr. Pak Shek Kuen

(appointed on 2 January 2007)

Non-executive Directors

Madam Li Jinxia

(appointed on 5 June 2006)

Mr. Yeung Tai Hoi

(appointed on 5 June 2006)

Mr. Cheung Kwok Ping

(appointed on 2 January 2007)

Independent Non-executive Directors

Mr. Cheung Sui Wing, Darius

(appointed on 5 June 2006)

Ms. Ho Man Kay

(appointed on 5 June 2006)

Mr. Wong Siu Fai, Albert

(appointed on 5 June 2006)

In accordance with the provisions of the Company's Articles of Association, Mr. Yeung Hoi Shan, Madam Li Jinxia, Mr. Yeung Tai Hoi, Mr. Pak Shek Kuen and Mr. Cheung Kwok Ping retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Yeung Hoi Shan entered into a service agreement with the Company for a term of three years from 5 June 2006, determinable by either party by giving three months' prior written notice.

Mr. Wong Wing Choi entered into a service agreement with the Company for a term of two years from 2 January 2007, determinable by either party by giving six months' prior written notice.

Mr. Pak Shek Kuen entered into a service agreement with the Company for a term of two years from 2 January 2007, determinable by either party by giving three months' prior written notice.

Each of the independent non-executive directors entered into service agreements with the Company for a term of one year and either the Company or the independent non-executive director may terminate the appointment by giving the other a prior notice of two months in writing before its expiration.

Other than as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

SHARE OPTION SCHEME

On 5 June 2006, a share option scheme (the "Share Option Scheme") was adopted by a resolution in writing by the sole shareholder. The purpose of the Share Option Scheme are to attract and retain best available personnel to provide additional incentive to employees, directors, consultants, and advisers of the Group and to promote the success of the business of the Group. The director may, at its discretion, offer any employee (whether full-time or part-time), director, consultant or adviser of the Group options to subscribe for new shares at a price and terms set out in the Share Option Scheme.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme when aggregated with the maximum number of shares in respect of which options may be granted under any other scheme involving the issue or grant of options over shares or other securities by the Group shall not exceed 10% of the issued share capital on 23 June 2006 (such 10% limit representing 24,000,000 shares).

No option may be granted to any one person such that the total number of shares issued and to be issued upon the exercise of options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of our issued share capital from time to time, unless the approval of our shareholders is obtained. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders.

The amount payable on acceptance of an option is HK\$1. The exercise price is determined by the Board, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

No option was granted under the Share Option Scheme as at the date of this report.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the Company's share option scheme disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire by means of acquisition of shares in, or debentures, of the Company or any other body corporate.

DIRECTOR INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2006, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

Name of director	Capacity	Number of issued ordinary shares held	Shareholding percentage
Mr. Yeung Hoi Shan	Beneficial owner	180,000,000	75%

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2006.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of issue capital
Mr. Yeung Hoi Shan	Beneficial	180,000,000	75%
Ms. Zhao Man Qi (Note 1)	Interest of spouse	180,000,000	75%
Hallgain Management Limited (Note 1)	Interest of controlled corporation	23,760,000	9.9%
Jamplan (BVI) Limited (Note 2)	Interest of controlled corporation	23,760,000	9.9%
Kingboard Chemical Holdings Limited (Note 2)	Interest of controlled corporation	23,760,000	9.9%
Kingboard Investments Limited (Note 2)	Beneficial	23,760,000	9.9%
Full Prosper Corporation (Note 3)	Beneficial	15,000,000	6.25%
Mr. Lam Man Chan (Note 3)	Interest of controlled corporation	15,000,000	6.25%

SUBSTANTIAL SHAREHOLDERS *(continued)*

Notes:

1. Ms. Zhao Man Qi is the spouse of Mr. Yeung Hoi Shan.
2. Kingboard Investments Limited is a wholly-owned subsidiary of Jamplan (BVI) Limited which in turn is a wholly-owned subsidiary of Kingboard Chemical Holdings Limited. Hallgain Management Limited owns 30.94% interest in Kingboard Chemical Holdings Limited.
3. Full Prosper Corporation is wholly-owned by Mr. Lam Man Chan

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2006.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company's shares were listed on the Main Board of the Stock Exchange on 23 June 2006.

Save for the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

Since the Group has a very wide customer base, the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total turnover for the year.

The Group's largest supplier contributed 36% to the total purchases for the year. The Group's five largest suppliers accounted for 64% of the total purchases for the year.

At 31 December 2006, Kingboard Chemical Holdings Limited, a shareholder holding more than 5% of the Company's share capital, had a beneficial interest in one of the Group's five largest supplier. All transactions between the Group and the supplier concerned were carried out on normal commercial terms.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK\$1,096,000.

AUDIT COMMITTEE

An Audit Committee was established by the Company in June 2006 to review and supervise the Company's financial reporting process and internal controls. The Audit Committee comprises the three independent non-executive directors of the Company. Mr. Cheung Sui Wing, Darius, is the chairman of the Audit Committee.

REMUNERATION COMMITTEE

A Remuneration Committee was established by the Company in June 2006 to establish policies, review and determine the remuneration of the directors and the senior management. The Remuneration Committee, comprises the three independent non-executive directors and a executive director of the Company. Mr. Yeung Hoi Shan is the chairman of the Remuneration Committee.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set out by the Remuneration Committee on the basis of their merit, qualifications, and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

POST BALANCE SHEET EVENT

Details of significant event occurring after the balance sheet date are set out in note 36 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Yeung Hoi Shan
CHAIRMAN

Hong Kong
12 April 2007