

This announcement does not constitute an invitation or offer to acquire or repurchase any of the securities of the Company.

THE NATIONAL LACQUER AND PAINT PRODUCTS COMPANY, LIMITED

國民製煉漆油有限公司

(Incorporated in Hong Kong with limited liability)

PROPOSED OFF-MARKET REPURCHASE OF ORDINARY SHARES AND QUALIFIED SHARES

1 INTRODUCTION

The Board announced that the Company is proposing to repurchase 2,280 Ordinary Shares and 46,413 Qualified Shares from the Sellers who had given irrevocable offers to the Company to sell such Sale Shares to the Company at HK\$1,000 per Sale Share for a total consideration of HK\$48,693,000.

The irrevocable offers will expire: (i) (if not having been accepted earlier) immediately after the signing of the Agreements which are to be approved at the EGM, and (ii) on 28 February 2007 (whichever is the earlier).

2 PROPOSED SHARE REPURCHASE

Date of Agreements : Expected to be on or about 15 December 2006

Parties : (1) Company (as purchaser)
(2) Currently expected to be approximately 25 holders of Shares (as sellers)

Sale Shares : 2,280 Ordinary Shares and 46,413 Qualified Shares

Consideration : HK\$1,000 per Sale Share

Terms for the Share Repurchase : The Share Repurchase will be on terms and conditions set out in the Agreements. The salient terms are set out in paragraph 3 below

3 SALIENT TERMS OF THE PROPOSED SHARE REPURCHASE

The Sale Shares will be acquired by the Company at HK\$1,000 per Sale Share for a total cash consideration of HK\$48,693,000 pursuant to the Agreements. The Company and each of the Sellers are to bear Hong Kong ad valorem stamp duty equally. The Repurchase Price will be satisfied by cash from internal resources.

The Repurchase Price was reached following an arm's length negotiations between the Company and the Sellers.

The Sale Shares are to be repurchased free from any mortgage, charge, lien, claim or any other encumbrance with all rights, including dividend rights, attached or accruing to them on and from the date of Completion.

As the Company is a public company incorporated in Hong Kong, the Share Repurchase is subject to the Share Repurchase Code. The Share Repurchase constitutes an off-market repurchase and will be subject to (i) grant of an approval by the Executive and (ii) approval of the special resolution on the Share Repurchase by at least three-fourths of the votes cast on a poll by the Independent Shareholders in attendance in person or by proxy at the EGM.

Completion is expected to take place on the date of approval of the Share Repurchase at the EGM (or such later date as shall be directed by the Company) when the Sale Shares are to be transferred by the Sellers to the Company. Payment for the Repurchase Price is expected to be made (subject to deduction of half share of the amount of Hong Kong ad valorem stamp duty payable on the Share Repurchase) by posting cheques to the Sellers' last known addresses at the Sellers' own risk on or before the third Business Day after (i) the Completion or (ii) the adjudication of the amount of ad valorem stamp duty payable (whichever is the later).

4 EFFECT OF THE SHARE REPURCHASE ON SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company had 22,293 Ordinary Shares and 264,310 Qualified Shares in issue. Following Completion, the Sale Shares will be cancelled. As a result, the number of Ordinary Shares and Qualified Shares in issue immediately following the Share Repurchase will be reduced from 22,293 Ordinary Shares and 264,310 Qualified Shares to 20,013 Ordinary Shares and 217,897 Qualified Shares.

The table below sets out the shareholding structure of the Company in respect of various shareholding groups as at the date of this announcement and immediately after Completion:

	As at the date of this announcement						Immediately after Completion (Note 1)					
	Number of Ordinary Shares (with voting rights)	% of the total issued Ordinary Shares and voting rights	Number of Qualified Shares	% of the total issued Qualified Shares	Total number of Shares (being Ordinary Shares and Qualified Shares)	% of the total issued Shares	Number of Ordinary Shares (with voting rights)	% of the total issued Ordinary Shares and voting rights	Number of Qualified Shares	% of the total issued Qualified Shares	Total number of Shares (being Ordinary Shares and Qualified Shares)	% of the total issued Shares
Persons acting in concert (Note 2)	15,834	71.03%	122,664	46.41%	138,498	48.32%	15,834	79.12%	122,664	56.29%	138,498	58.21%
Sellers	2,280	10.22%	46,413	17.56%	48,693	16.99%	0	0%	0	0%	0	0%
Others	4,179	18.75%	95,233	36.03%	99,412	34.69%	4,179	20.88%	95,233	43.71%	99,412	41.79%
Total	22,293	100%	264,310	100%	286,603	100%	20,013	100%	217,897	100%	237,910	100%

Notes:

- (1) Assuming the number of Shares held by holders of the Shares remain the same and no further securities of the Company are issued or repurchased from the date of this announcement up to the Completion.

- (2) Under the Deed, the parties have entered into certain arrangements with regard to their shareholdings in the Company. Messrs. Yan Yuen Cheong (Chairman), Yan Yuen Fai (Honorary Chairman), Yan Yuen Chiu (Vice-chairman), Lau Leung Wai Ray (Vice-chairman) and other parties to the Deed are regarded as persons acting in concert. In addition, certain companies which are controlled by certain Parties to the Deed are considered to be concert parties with the Parties to the Deed. The Directors are Lau Leung Wai Ray, Wong Man Dock, Yan Kerwin, Yan Ray, Yan Tin Yau Howard, Yan Wai Man Lilian, Yan Yuen Cheong, Yan Yuen Chiu and Yan Yuen Fai. All of them are Parties to the Deed.

There will be no change to the controlling shareholders of the Company as a result of the Share Repurchase and no material changes to the management and employees of the Company are envisaged.

There are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares and which might be material to the Share Repurchase (as referred to in Note 8 to Rule 22 of the Hong Kong Code on Takeovers and Mergers).

5 REASONS FOR THE SHARE REPURCHASE

The Share Repurchase represents an opportunity for the Company to utilise its surplus cash to enhance the earnings per Share and the rate of return on capital. Moreover, since the Last Share Repurchase, the Company has continuously and from time to time received requests from certain other Shareholders desirous of disposing their Shares. In response to such requests, and due to the fact that the Company is not listed, there being no public market for the Shares thus not easy for Shareholders to dispose their Shares, with the view of enhancing shareholder value, the Company has therefore proposed to implement the Share Repurchase. As the Sale Shares are to be cancelled upon Completion and the number of Shareholders will be reduced, the Share Repurchase will move towards the goal of reducing the administrative burden of the Company in handling a large number of Shareholders and improving the ability of the Company to communicate with its Shareholders especially given that many Shareholders are located overseas for most of the time. In addition, the existing shareholders' base is considered by the Directors to be unnecessarily diversified, resulting in inefficient communications with the Shareholders in particular those in overseas.

In addition, as the proposed repurchase of Shares are conducted shortly after the Last Share Repurchase, the Directors (except for Yan Wai Man Lilian who will act as the sole member of the Independent Board Committee (as detailed below) and reserved her opinion pending advice from Taifook) consider it desirable that the repurchase price and other terms and conditions of the Last Share Repurchase be applied to the proposed share repurchase to the extent applicable to achieve "fairness" among Shareholders.

6 GENERAL

As all the Directors (other than Yan Wai Man Lilian) have executive roles in the management of the Group, they are, therefore, considered not eligible to advise the Independent Shareholders on the Share Repurchase. An independent board committee, comprising a sole member, namely Yan Wai Man Lilian, is established to advise the Independent Shareholders in respect of the Share Repurchase. The Board wishes to announce

that, as approved by the Independent Board Committee, Taifook has been appointed as the independent financial adviser of the Company in respect of the Share Repurchase and, pursuant to Rule 2.1 of The Hong Kong Code on Takeovers and Mergers, Taifook will advise the Independent Board Committee in relation to the Share Repurchase.

In order to obtain shareholder approval for the Share Repurchase, the Company will, subject to the approval of the circular by the Executive, despatch a circular to its Shareholders containing, among other things, details of the Share Repurchase, a notice convening the EGM to consider and approve the Share Repurchase, the Agreements and certain other information required under the Share Repurchase Code and the Companies Ordinance. The circular is currently expected to be despatched to the Shareholders within 21 days from the date of this announcement, a copy of which will be posted on the Company's transaction specific website at www.nlppgroup.com.

7 DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context requires otherwise:

“acting in concert”	has its meaning ascribed to the Hong Kong Code on Takeovers and Mergers
“Agreements”	the share repurchase agreements to be entered into between the Company and the Sellers in relation to the Share Repurchase
“Board”	the board of Directors
“Business Day”	a day (other than Saturday or a Sunday) on which banks are open for general banking business in Hong Kong
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	The National Lacquer and Paint Products Company, Limited 國民製煉漆油有限公司, a company incorporated in Hong Kong with limited liability on 21 December 1932
“Completion”	completion of the Agreements expected to take place on the date of approval of the Share Repurchase at the EGM (or such later date as shall be directed by the Company)
“Deed”	the deed dated 26 April 1994 between certain members of the Company regulating their rights in relation to the Company for the purpose of facilitating the effective management of the Company
“Directors”	the directors of the Company

“EGM”	an extraordinary general meeting of the Company to be held on Friday, 15 December 2006 at 3:00 p.m. to approve the Share Repurchase or any adjournment thereof
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Group”	the Company and its subsidiaries
“HK\$” and “cent(s)”	Hong Kong dollars and cent(s) respectively
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee established in respect of the Share Repurchase for the purposes of the Hong Kong Code on Takeovers and Mergers
“Independent Shareholders”	the holders of Ordinary Shares other than the Sellers
“Last Share Repurchase”	the repurchase by the Company of 1,307 Ordinary Shares and 29,180 Qualified Shares from certain Shareholders (the particulars of which have been set out in the announcement and circular of the Company dated 6 March 2006 and 24 March 2006 respectively) which have been approved by the Independent Shareholders and completed in April 2006
“Ordinary Shares”	ordinary shares of HK\$100 each in the capital of the Company
“Parties to the Deed”	the Shareholders who are parties to the Deed
“Qualified Shares”	qualified shares of HK\$100 each in the capital of the Company which do not confer any right of voting at any general meetings of the Company nor qualify any person to be a Director but otherwise ranking for dividends and in all other respects pari passu with the Ordinary Shares
“Repurchase Price”	HK\$1,000 per Sale Ordinary Share and HK\$1,000 per Sale Qualified Share for the repurchase of 48,693 Sale Shares pursuant to the Agreements, being HK\$48,693,000 in aggregate
“Sale Ordinary Shares”	2,280 Ordinary Shares proposed to be repurchased by the Company under the Share Repurchase
“Sale Qualified Shares”	46,413 Qualified Shares proposed to be repurchased by the Company under the Share Repurchase

“Sale Shares”	the Sale Ordinary Shares and the Sale Qualified Shares
“Sellers”	the sellers of the Sale Shares. The list of the Sellers is available for inspection at the Company’s transaction specific website at www.nlppgroup.com from the date of this announcement up to the date of conclusion of the EGM
“SFC”	the Securities and Futures Commission of Hong Kong
“Shareholders”	the holders of the Ordinary Shares and Qualified Shares
“Share Repurchase”	the repurchase of the Sale Shares by the Company at HK\$1,000 per Sale Share for a total cash consideration of HK\$48,693,000 pursuant to the Agreements
“Share Repurchase Code”	the Hong Kong Code on Share Repurchases
“Shares”	Ordinary Shares and Qualified Shares
“Taifook”	Taifook Capital Limited, the independent financial adviser to the Independent Board Committee and a corporation licensed to conduct type 6 (corporate advisory) regulated activities as set out under the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)

By Order of the Board of
The National Lacquer and Paint Products Company, Limited
Agnes P.L. Wong
Company Secretary

Hong Kong, 31 October 2006

As at the date of this announcement, the Directors are Lau Leung Wai Ray, Wong Man Dock, Yan Kerwin, Yan Ray, Yan Tin Yau Howard, Yan Wai Man Lilian, Yan Yuen Cheong, Yan Yuen Chiu and Yan Yuen Fai.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.