

The directors present their annual report and the audited financial statements for the year ended 31 December, 2005.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December, 2005 are set out in the consolidated income statement on page 29 of the annual report.

The directors do not recommend any payment of dividend for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 23 to the financial statements.

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS

The directors of the Company since its date of incorporation and up to the date of this report were:

Executive directors:

But Ching Pui (*Honorary Chairman*)

But Ka Wai (*Chairman*)

But Chai Tong (*Vice Chairman*)

Chu Kin Wah

Non-executive directors:

Leung Wai Ling

Ngai Chun Kong, Stephen

Independent non-executive directors:

Cheung Yu Yan, Tommy

Ip Shing Tong, Francis

Ku Siu Fung, Stephen

In accordance with Article 108 of the Company's Articles of Association, Messrs. But Ching Pui and Chu Kin Wah shall retire by rotation and Mr. But Ching Pui, being eligible, shall offer himself for re-election at the forthcoming annual general meeting.

No directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURE

At 31 December, 2005, the interests of the directors and their associates in the shares and underlying shares and debenture of the Company and its associated corporation as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
But Ka Wai	Held by controlled corporation (note 1)	60,500,000	28.3%
But Chai Tong	Held by controlled corporation (note 2)	57,000,000	26.6%
		11,750,000	54.9%

Notes:

- (1) These shares were held by Able Success Group Limited ("Able Success") which is wholly-owned by Mr. But Ka Wai.
- (2) These shares were held by National Chain International Limited ("National Chain") which is wholly-owned by Mr. But Chai Tong.

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, 2005.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 24 to the financial statements.

The following table discloses movements in the Company's share options during the year under review:

Name	Date of grant	Exercise price per share HK cents	Exercisable period	Number of shares of the Company to be issued upon exercise of the share options		
				Outstanding at 1.1.2005	Exercised during the year	Outstanding at 31.12.2005
<i>Category I: Employees</i>						
Employees	14.12.2004	31.6	14.12.2004 to 13.12.2007	10,000,000	-	10,000,000
<i>Category II: Others</i>						
Consultants	14.12.2004	31.6	14.12.2004 to 13.12.2007	2,000,000	-	2,000,000
Total				12,000,000	-	12,000,000

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Options" 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 benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31st December 2005, the interest and short position of substantial shareholders in the shares or underlying shares of the Company, as recorded in the register maintained by the Company under Section 336 of the SFO or as notified to the Company were as follows:

Ordinary shares of HK\$0.01 each of the Company

	Capacity		Total	Percentage of the issued share capital of the Company
	Beneficial owner	Corporate interests		
Substantial shareholders:				
Able Success (<i>note 1</i>)	–	60,500,000	60,500,000	28.3%
National Chain (<i>note 2</i>)	–	57,000,000	57,000,000	26.6%
See Sau Yuk	14,000,000	–	14,000,000	6.5%

All interest stated above represent long positions.

Note:

- (1) Mr. But Ka Wai is deemed to be interested in these shares through his wholly-owned interest in the issued share capital of Able Success.
- (2) Mr. But Chai Tong is deemed to be interested in these shares through his wholly-owned interest in the issued share capital of National Chain.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in the section headed "Connected Transactions" below, no contracts of significance to which the Company or any of 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.

CONNECTED TRANSACTIONS

Details of discloseable connected transactions for the year are set out in note 33 to the financial statements. In the opinion of the independent non-executive directors of the Company, the transactions were carried out on normal commercial terms, in the ordinary and usual course of business of the Group, on terms that are fair and reasonable so far as the shareholders of the Company are concerned and within the relevant cap amounts as agreed by the Stock Exchange.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers accounted for approximately 49% of the total sales of the Group and the largest customer accounted for approximately 18% of the total sales of the Group.

The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 29% of the total purchases of the Group and the largest supplier accounted for approximately 11% of the total purchases of the Group.

At no time during the year did a director, an associate of a director or a shareholder of the Company, which to the knowledge of the directors owns more than 5% of the Company's issued share capital, have an interest in any of the five largest customers and suppliers of the Group.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December, 2005.

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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole of any substantial part of the business of the Company were entered into or existed during the year.

EXPOSURE TO BORROWERS AND OTHER SPECIFIC CIRCUMSTANCES THAT REQUIRE DISCLOSURE

The Company has entered into a loan agreement dated 28 June 2005 which requires the controlling shareholder of the Company to maintain their controlling interest in the Company.

AUDITORS

During the year, Deloitte Touche Tohmatsu resigned as auditors of the Company and HLB Hodgson Impey Cheng were appointed by the directors to fill the casual vacancy so arising. Save as disclosed above, there have been no other changes of auditors in the past three years. A resolution for the reappointment of HLB Hodgson Impey Cheng as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

But Ka Wai
CHAIRMAN

Hong Kong, 24 April 2006