

## Directors' Report

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

### Principal Activities

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 39 to the financial statements.

### Results

The results of the Group for the year ended 31st December, 2005 are set out in the consolidated income statement on page 18 of the financial statements.

### Principal Subsidiaries

On 25th February, 2005 and 21st April, 2005, a wholly-owned subsidiary of the Company entered into conditional sale and purchase agreements with third parties for the disposal of the respective 40% and 60% interests in More Cash Limited ("More Cash"), a wholly owned subsidiary of the Company, for a cash consideration of HK\$40,000,000 and HK\$90,000,000. More Cash, through its subsidiary, Guang Zhou Jiang Nan Property Co., Ltd., is engaged in property investment and development in Guangzhou, People's Republic of China (the "PRC"). Details of the disposal of 40% and 60% interest are set out in the circulars of the Company dated 24th March, 2005 and 16th June, 2005, respectively. The transaction was completed on 12th April, 2006.

On 4th April, 2005, a wholly owned subsidiary of the Company entered into a conditional sale and purchase agreement with a third party for the acquisition of the entire interest in, and shareholders' loan to, Renowned Holdings Limited ("Renowned") for a cash consideration of HK\$35,000,000. Renowned, through its subsidiary, Superwide Development Limited, is engaged in property development in Shenzhen, the PRC. Details of the acquisition are set out in the circular of the Company dated 29th April, 2005. The transaction was completed on 22nd September, 2005.

On 13th April, 2005, a wholly owned subsidiary of the Company entered into a conditional sale and purchase agreement with a third party and one of the directors, Mr. Fu Jie Pin, for the acquisition of the entire interest in Zhong Hua Health Food Culture Research Limited ("Health Food") and Zhong Hua Jin Long Teng Health Food (Holdings) Limited ("JLT") for a cash consideration of HK\$5,500,000. Health Food and JLT, through its subsidiaries, were engaged in restaurant operations in Shenzhen and Beijing, the PRC, respectively. Details of the acquisition are set out in the circular of the Company dated 27th May, 2005. The transaction was completed on 14th October, 2005.

Details of the principal subsidiaries of the Company at 31st December, 2005 are set out in note 39 to the financial statements.

### Investment Properties

Details of movements in the investment properties of the Group during the year are set out in note 15 to the financial statements.

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### Property, Plant And Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

### Share Capital

Details of the share capital of the Company are set out in note 28 to the financial statements.

### Purchase, Sale Or Redemption Of The Company's Listed Securities

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

### Distributable Reserves Of The Company

At 31st December, 2005, in the opinion of the directors, the Company has no distributable reserves.

### Directors

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

#### Executive directors:

Chan Yeung Nam (*Chairman*)  
Fu Jie Pin (*Chief Executive Officer*)

#### Independent non-executive directors:

Tang Cheung Fai  
Lam Ping Cheung  
Jee Wengue

In accordance with Clause 98 of the Company's Bye-Laws, Messrs. Chan Yeung Nam and Tang Cheung Fai will retire at the forthcoming annual general meeting by rotation and being eligible, offer themselves for re-election.

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

All of the independent non-executive directors are members of the Company's Audit Committee and Remuneration Committee.

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### Directors' Service Contracts

Mr. Chan Yeung Nam and Mr. Fu Jie Pin have entered into a service contract with the Company which commence on 19th December, 2004 and with no fixed terms.

Save as disclosed above, none of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office of each non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-Laws.

### Substantial Shareholders

As at 31st December, 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance ("SFO") showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

#### Long position

*Ordinary shares of US\$0.02 each of the Company*

	Capacity	Number of shares			Percentage of issued share capital	Note
		Direct interest	Deemed interest	Total interest		
Velocity International Limited ("Velocity")	Beneficial owner	144,943,418	—	144,943,418	52.2%	a
Chan Yeung Nam	Interest of a controlled operation	—	144,943,418 (through 100% direct interest in Velocity)	144,943,418	52.2%	a
Golden Flower Limited ("Golden")	Beneficial owner	20,742,000	—	20,742,000	7.5%	b
Expert Commerce Limited ("Expert")	Beneficial owner	15,000,000	—	15,000,000	5.4%	b
China WTO.com Limited ("CWTO")	Beneficial owner and interest of controlled corporations	27,079,662	35,742,000 (through 100% direct interest in Golden and Expert)	62,821,662	22.6%	b
China Strategic Holdings Limited ("CSH")	Interest of controlled corporations	—	62,821,662 (through 100% direct interest in CTWO)	62,821,662	22.6%	c

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### Substantial Shareholders *(continued)*

#### Long position *(continued)*

Notes:

- (a) Mr. Chan Yeung Nam holds the entire beneficial interest in Velocity and Mr. Chan Yeung Nam is accordingly deemed to be interested in 144,943,418 shares in the Company.
- (b) CWTO beneficially owns 27,079,662 shares in the Company directly and holds the entire beneficial interest in Golden and Expert. Golden and Expert beneficially own 20,742,000 and 15,000,000 shares in the Company, respectively. Accordingly, CWTO is totally interested in 62,821,662 shares in the Company.
- (c) CSH directly holds the entire beneficial interest in CWTO. As CWTO are interested in 62,821,662 shares in the Company, CSH is deemed to be interested in 62,821,662 shares in the Company, accordingly.

Save 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 31st December, 2005.

### Directors' Interests in Securities

Other than as disclosed in the section "Substantial Shareholders", none of the directors, chief executives, and their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation at 31st December, 2005, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Director of Listed Companies contained in the Listing Rules.

### Share Options

Particulars of the Company's share option scheme are set out in note 29 to the financial statements.

No share options were granted or exercised during the year ended 31st December, 2005. At 31st December, 2005, no share options of the Company were outstanding.

### Arrangements to Purchase Shares or Debentures

At no time during the year was the Company, its ultimate holding companies, any of its fellow subsidiaries and 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.

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### Connected Transactions and Directors' Interests in Contracts

On 13th April, 2005, a wholly owned subsidiary of the Company entered into a conditional sale and purchase agreement with a third party and one of the directors, Mr. Fu Jie Pin, for the acquisition of Health Food and JLT for a cash consideration of HK\$5,500,000. As Mr. Fu Jie Pin is a director of the Company, the acquisition of Health Food and JLT are regarded as connected transactions pursuant to Chapter 14A of the Listing Rules of the Stock Exchange, details of which are set out in the circular of the Company dated 27th May, 2005.

Saved as disclosed above:

- (i) no contracts of significance subsisted to which the Company or any of its ultimate holding company or any of its fellow subsidiaries and subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly at the end of the year or at any time during the year; and
- (ii) there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

### Major Customers and Suppliers

For the year ended 31st December, 2005, the largest customer accounted for 56.4% of the total turnover and the five largest customers comprised 69.6% of the total turnover.

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

During the year, the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the total purchases for the year.

### Emolument Policy

The emolument policies of the employees and directors of the Group are set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The Company has adopted a share option scheme as an incentive to directors and eligible employees. Details of the scheme is set out in note 29, to the financial statements.

### Pre-emptive Rights

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

### Sufficient of Public Float

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

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### Post Balance Sheet Events

Details of significant post balance sheet events are set out in note 36 to the financial statements.

### Auditors

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

On behalf of the Board  
**Chan Yeung Nam**  
*Chairman*

Hong Kong, 25th April, 2006