

On behalf of the board of directors (the "Board"), I am pleased to present to our shareholders, the annual report of China Velocity Group Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31st December, 2006.

## SUMMARY OF OPERATING RESULTS

With the acquisition of the restaurant operations, the revenue of the Group increased by 105% from approximately HK\$15.5 million for the year ended 31st December 2005 to approximately HK\$31.7 million of this year.

The loss attributable to the shareholders of the Group also decreased by 44% from approximately HK\$32.6 million for the year ended 31st December 2005 to approximately HK\$18.2 million of this year. The improvement in the results was mainly due to the reduction of finance cost during the year.

## DIVIDENDS AND OTHER DISTRIBUTION

No interim dividend was paid to the shareholders of the Company during the year. The Directors do not recommend any payment of final dividend for the year ended 31st December, 2006.

## REVIEW OF OPERATIONS

This year the Group concentrated its effort both in property investment and development and restaurant operation. The Group is now actively planning for the development of the site in Longgang Distinct. On the other hand, the Group is operating two restaurants in PRC.

### Longgang Property Project

The development site in Longgang Distinct, Shenzhen, PRC has an aggregate area of approximately 92,000 square meters and located at the designated areas for residential use. It is now currently vacant and the Group plans to develop it into residential property of about 75,000 square meters for resale purpose. The development planning was commenced and hope the construction can be commenced shortly.

### Restaurant Operation

In addition, the Group is now operating two restaurants in PRC, of which one is in Shenzhen and the other is in Beijing. Although the operating result of them cannot meet our expectation, they still have a significant contribution to the Group during the year. The Group is now considering to inject new ideas in the operation and expects these two restaurants will contribute more to the Group.

## PROSPECTS

The Group now mainly concentrates its effort both in the property investment and development and the restaurant business in PRC. With the notable economic growth in PRC, we expect the property market still in the growing track, especially in the Shenzhen. Longgang district is one of the fast developing zone in Shenzhen. Our development project will be one of the large scale development project and will expect a large contribution to the Group's result in the future.

Restaurant operation is a stable and rewarding business. It can contribute to the Group a stable income stream. With the introduction of new management to the Jin Long Teng restaurant group, they recorded a positive result after the acquisition.

In addition, the Group is now still looking for any investment opportunities that can fit our portfolio.

## APPRECIATIONS

On behalf of the board, I would like to thank all our shareholders for their continual support and to all our staff their contributions during the year.

**Chan Yeung Nam**  
*Chairman*

Hong Kong, 20th April, 2007