

CHAIRMAN'S STATEMENT



Chan Yeung Nam
Chairman

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, 2003.

SUMMARY OF OPERATING RESULTS

During the year, the Group's turnover was approximately HK\$132.6 million compared to last year's figure of approximately HK\$181.7 million. The decrease was mainly due to the disposal of toll highway operation in November 2002.

The loss attributable to shareholders of the Group for the year of 2003 was approximately HK\$170.2 million compared to approximately HK\$99.8 million for the corresponding period in the previous year. The loss was mainly due to downward adjustment on hotel valuation and properties valuation as a result of SARS, the adverse effect of the SARS outbreak on the hotel business in both Hong Kong and the Mainland and the finance costs.

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, 2003.

On 12th December, 2003, pursuant to the Group Reorganisation described below, shares of Apex Quality Group Limited (the "Apex") were distributed in specie to the shareholders of the Company on the basis of one Apex's share for every existing issued share of the Company.

REVIEW OF OPERATIONS

Hotel operations

The hotels of the Group faced challenging economic conditions in the year. The worldwide outbreaks of SARS and the Iraq war, depressed the global travel industry and had a severe impact on the performance of the Group's hotel businesses. Following the uplift of travel advisory on Hong Kong and Guangdong Province by the World Health Organization in May 2003, the results of all hotels of the Group show encouraging recovery trends.

Pursuant to the Group Reorganisation in December 2003, the Group's entire interest in hotel operations was transferred to Apex Quality Group Limited, a wholly owned subsidiary of the Company, and then distributed out to the shareholders of the Company.

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Property leasing

Paul Y. Plaza in Guangzhou continued to provide recurring rental income to the Group. KFC and China Mobile have established their outlets in Paul Y. Plaza and these well known fast-food chain and shop have increased the pedestrian traffic and improved the image of Paul Y. Plaza. During the SARS crisis in the first half of 2003, the leasing campaign of the podium was temporarily affected by the reduced business activities.

Property development project intended for sale

The superstructure phase 1 of Tai Shan Oriental Pointe (formerly named as Long De Dong) in Taishan is closed to completion. This phase consists of residential apartments and villas with a saleable area of approximately 16,500 square meters. The project is expected to start to generate sales income in the second quarter of 2004. Intensive marketing campaigns will be launched shortly.

PROSPECTS

Upon the completion of the Group Reorganisation on 12th December, 2003, the Group is now principally engaged in property investment and development in the PRC. It will continue to derive rental income from the Paul Y. Plaza in Guangzhou and Shenzhen Development Centre in Shenzhen, which will provide a stable source of income to the Group. The superstructure of phrase 1 of Tai Shan Oriental Pointe in Taishan is expected to be completed in near future. This project will start to generate sales income and intensive marketing campaigns will be launched to promote sales.

On 12th February, 2004, the Group entered into a letter of intent to acquire 51% interest in Super Ocean Limited. The Super Ocean Limited and its subsidiaries are mainly engaged in the property development in Beijing. Super Ocean Limited holds through its subsidiary the rights to develop a commercial property at Lot No. B9 in Beijing Dong Cheng District Wang Fu Jing Area. Upon the satisfactory result of due diligence investigations, the Group will enter into a formal sales and purchase agreement in the near future.

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, 23rd April, 2004