



Chairman's Statement

THE YEAR IN REVIEW

Fiscal 2004 was encouraging, a year of significant changes for the Company. Last year, in my statement to shareholders, I reported to you that the Company has moved its domicile to Hong Kong and the restructuring of the Company into China United International Holdings Limited and China United Holdings Limited ("CU Bermuda"). I also reported of the subsequent sale of CU Bermuda to a third party. I mentioned that the sale "benefited the Company" in that the "Directors can concentrate their efforts on more productive or rewarding business opportunities". In the same statement, I mentioned that in 2003 the Company "turned inward to focus on corporate restructuring and streamlining its business activities". I am encouraged by our efforts this year and I think we have made a great deal of progress.

In the past two months, the Board of Directors or I have received requests and granted several interviews to newspapers as well as magazines. Many of them pointed out the same facts that I as chairman or we as directors of the Company am and are well aware of, that is, the Company has posted a seven year loss, that the Company has in the past raised a large sum of money through the stock market, and that they are unclear as to the direction of the Company. The points they raised were certainly legitimate. I feel that they as media reporters who bring information to the general public and you as investors of this Company certainly deserve to know the answer. Since I am the Chairman and this is my statement, I have chosen to elaborate my answers here.

The current Board of Directors essentially took over the operation of the Company in 1998. The Company was heavily in debt as a result of various real estates purchased at the height of the market and several major investments in PRC which were not profitable. The Company had defaulted in every one of its loans. The new management was faced with close to HK\$1 billion debts that had to be repaid, creditors were threatening to sue if they had not already done so, and a cash position so poor that it was not enough to meet payroll. Our efforts were concentrated in saving the Company. During the past few years, we had repaid more than half of the debt. Many worthwhile projects came across our desks during those years, the choice that the Directors were faced with is whether to invest aggressively or conservatively. Given the financial situation that the Company was in, we chose some of the most aggressive projects with the highest projected returns. We invested in internet projects, in the dotcoms, and in China projects. The investors need not hear from me that high return comes with high risk and as a result of the burst of the internet bubble, the Asian financial crisis, and the crash of the Hong Kong real estate market, we too have suffered substantial loss.

Our annual report was qualified by our auditors last year for 2 reasons and I shall deal with one of the reasons here. The auditor mentioned "Fundamental Uncertainty", an issue arises out of the sale of CU Bermuda in which the Directors considered that the "Group has no obligations to assume the liabilities, actual or contingent, and challenge by any interested party, if brought upon ... as to the validity of transaction ... or loss suffered as a result of the restructuring". The auditors were concerned because prior to the release of the annual report, a creditor filed petition for the liquidation of CU Bermuda. During 2004, the creditor has settled with CU Bermuda. The same auditors are satisfied that this "Fundamental Uncertainty" does not exist anymore. China United International Holdings Limited or its subsidiaries are not involved in any unsettled legal actions at this time.

No longer burdened with debt or any legal problems, the Directors were able to continue to focus on streamlining existing business and focus on new directions for the Company.

RESULTS

During the year ended 31 December 2004, the turnover of the Group decreased to HK\$92.7 million as compared to that of HK\$138.9 million for the year ended 31 December 2003. The loss attributable to shareholders of HK\$336.9 million represents an increase of 9.9 times as compared with a loss of HK\$33.7 million for the year ended 31 December 2003. The loss per share was HK\$0.28 as compared with HK\$0.09 for the corresponding year ended 31 December 2003.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2004, the Group's total shareholders' funds amounted to HK\$91.5 million compared with HK\$303.8 million at 31 December 2003. As at 31 December 2004, the Group had net current liabilities of HK\$117.3 million including cash and bank balances of HK\$10.7 million compared with net current liabilities of HK\$37.9 million comprising cash and bank balances of HK\$25.2 million at 31 December 2003. The gearing ratio (calculated by aggregated interest-bearing borrowings divided by shareholders' fund) and current ratio of the Group was 198% and approximately 0.31 times at 31 December 2004, compared to 61.7% and 0.78 times respectively at 31 December 2003.

As at 31 December 2004, the Group has bank loans of HK\$32.1 million (31 December 2003: HK\$32.9 million), other loans of HK\$96.1 million (31 December 2003: HK\$90.5 million) and convertible notes of HK\$53 million (31 December 2003: HK\$63.8 million).

As most of the Group's transactions and bank deposits were denominated in Hong Kong dollars, the Group's exposure to foreign exchange risk was minimal.

PLEDGE OF ASSETS

As at 31 December 2004, certain assets of the Group with an aggregate carrying value of HK\$50.7 million (31 December 2003: HK\$49.3 million) have been pledged to banks and other financial institutions to secure credit facilities granted to the Group.

CONTINGENT LIABILITIES

At the balance sheet date, the Company had contingent liabilities not provided for in the financial statements in respect of guarantee of HK\$38,000,000 (2003: HK\$38,000,000) and HK\$75,000,000 (2003: HK\$125,000,000) for banking facilities granted to subsidiaries and associate respectively, which were utilised by subsidiaries and associate to the extent of HK\$32,054,000 (2003: HK\$32,915,000) and HK\$31,589,000 (2003: HK\$60,915,000) respectively.



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As set out in the Company's 2003 annual report, the Company, CU Bermuda and HMI entered into an agreement under which approximately 18.68% of interest in HMI and 48.53% interest in another subsidiary were transferred from the Old CU Group to the Group. According to the agreement, CU Bermuda had a perpetual entitlement of 22% in the distribution of dividends, capital and assets by HMI. In addition, the Company made guarantee to CU Bermuda that if HMI failed to pay the said distributions to CU Bermuda, the Company would compensate CU Bermuda with the equivalent amount. During the year, CU Bermuda has confirmed in writing that the agreement has been cancelled and thereafter the guarantee made by the Company mentioned above was released accordingly.

As set out in the Company's 2003 annual report, the Company guaranteed to CU Bermuda that the Company would pay to CU Bermuda HK\$13,000,000 should the interest of an unlisted investment held in trust on behalf of CU Bermuda by the Company be affected by any inappropriate manner. During the period, the title in the investment was transferred to a nominee under CU Bermuda's instruction at a nominal consideration of HK\$1. The abovementioned guarantee was released consequently.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year.

REVIEW AND OUTLOOK

Despite high global oil prices, the war on Iraq, and the political tension between China and Taiwan, the Hong Kong economy took a remarkable and somewhat surprisingly strong recovery this year. The property markets, and especially the high end markets, have risen or even gone beyond the highs set in 1997. The Company has taken the opportunity to further reduce its property holdings. The economy also benefited from the continual influx of mainland tourists and trade conventions. There also seems to be a renewed interest in the stock market. The Hong Kong economy is in general upbeat.

With a reported year end loss of over HK\$300 million, the inevitable question from investors is what made 2004 an encouraging year for China United. Last year, when we changed auditors, we asked the current auditors to "present a true picture to the public" and that they shall "leave no stones unturned". However, we did not agree on the amount of loan provisions that should be reported in the financial statement last year. Consequently, this led to the other reason that the 2003 annual report was qualified.

The Company's investment in HMI had been further diluted to 42.03% as at 31 December 2004. The Group still regards HMI and its subsidiaries (the "HMI Group") as a close associate. In December 2004, HMI announced that Citigroup Global Markets Limited has become one of its shareholders and that it has also signed on as non-exclusive agent and advisor for Sojitz. The Company believes that with the upturn in economy, HMI Group's financial advisory, brokerage, proprietary trading, and financial services can stand to benefit.



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HMI Group engages in financial services. The business nature of provision of brokerage and financial services also require that the Group engages in the lending business. After the fall of Arthur Andersen and the likes of Worldcom and Enron, the accounting industry has become very conservative in its reporting, and in our specific case, the treatment of loans outstanding. The lending standard or qualification that the auditors would accept is substantially higher. As a result, the provision and write off for HMI amount to HK\$258 million while the net provision for the Company amounts to HK\$61 million. The Directors opted to accept these figures rather than to have the annual report qualified again. As we are still in the process of collecting on the various loans outstanding, we believe that this accounting treatment presents an extremely conservative picture on the financial strength of the Company.

During the year, the Company focused its effort on Macau related projects. Some of our Directors have always had close relationships with influential individuals in the Macau gaming industry while others have been developing their networks. On 10 December, the Company announced its first venture in Macau related business, the acquisition of Wide Asia Shipping S. A., a holding company that owns a vessel to be leased for gambling. This investment was subsequently disposed of in 2005 at a gain of over HK\$20 million.

Subsequent to year end, the Company also made announcements regarding an investment in Found Macau, a joint venture company for large scale investments in Macau, as well as other Macau Projects. The Company continues to evaluate projects on hand and will invest only after thoughtful and quantified evaluation of business.


2004 was an encouraging year because during the past year, we have made important decisions. We have aggressively moved forward in a new direction. We feel that we are focused on the right things, our strategy is sound, and we are sailing in the right direction.

The Company has on 11 April, 2005 announced to change its name to Willie International Holdings Limited. The name change does not have any impact on the Company's equity valuation but is an important milestone in the evolution of the Company. It does not signify a beginning or an end but it marks how far we have come and how much further we aspire to go. As we look to the future, we see bright prospects and we are prepared to meet the challenges ahead.

EMPLOYEES/DIRECTORS

The Company has taken further steps to control and reduce its operation costs to an appropriate level. During the past year, as we become a progressive company, tremendous workloads have been place on the both the employees and the directors. I especially want to thank all the staff and directors for their many valuable contributions and for their hard work and dedication. It has certainly been a privilege to work with them and to serve you, our shareholders.

Subsequent to year end, the Company has appointed Mr. Nakajima Toshiharu, Ms. Lin Wai Yi, and Mr. Lau Da Yip as Non-Executive Director. On behalf of the Board, I would like to extend our sincere welcomes to the new directors. We are fortunate to be governed by a strong Board of independent directors who sets high standards consistent with their fiduciary duty to the shareholders. The Board would also like to thank Mr. Peter Ong for his many contributions during the past year. Mr. Ong resigned as an Independent Director in February 2005.



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IN MEMORY

Just as I am writing this statement, a sad news that one of my classmates, Prof. Lo Yam Kuen, a professor at a local university, whom I had the chance of reacquainted during my 30th high school reunion last year, has been confirmed dead as a victim of the tsunami. I am once again reminded and proud of those employees who had devoted and continue to devote not only their money but also their time and effort in the various fund raising activities for the tsunami victims. Your care and concern have spread hope among those who have survived.

By Order of the Board
Chuang Yueheng, Henry
Chairman

Hong Kong, 15 April 2005