

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, 2004.

SUMMARY OF OPERATING RESULTS

Owing to the disposal of hotel business through the group reorganization in December 2003, the Group's turnover decreased to approximately HK\$12.6 million for the year ended 31st December, 2004, while the turnover was HK\$132.6 million for the previous year.

The loss attributable to shareholders of the Group for the year of 2004 was approximately HK\$235.5 million compared to approximately HK\$170.2 million for the corresponding period in the previous year. The loss was mainly due to the downward adjustment on the properties held by the Group in the PRC.

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, 2004.

REVIEW OF OPERATIONS

Subsequent to the take-over by Velocity International Limited, the ultimate holding Company of the Group, and with the introduction of new board of directors, this year was the commencement of a new era under the new energetic management. During the year, we have concentrated our effort in restructuring the business of the Group, especially on the disposal of the under-performing assets to reduce the Group's liabilities and to improve the Group's gearing.

Disposal of under-performing assets

In August 2004, the Group entered into agreements to dispose of the joint venture interest in Huizhou World Express Property Limited, Huizhou Best Glory Property Limited and Huizhou Gladly Property Limited for a total consideration of RMB50.0 million. These three joint venture companies were mainly engaged in the property development projects in Huizhou, the PRC which have been put on hold owing to the uncertainties in an unsettled litigation in relation to the projects. The Group recognised a gain of approximately HK\$10.5 million in this transaction.

In September 2004, the Group entered into another agreement to dispose of the entire interest in Yetwide Investments Limited, a company mainly engaged in the property development project in Tai Shan, the PRC, for a consideration of HK\$31.0 million. The transaction resulted a gain of approximately HK\$1.5 million.

Later in November 2004, the Group further disposed of its entire interest in Shenzhen Development Centre, a relatively low yield property project, for a consideration of HK\$32.0 million.

With these reorganizations, the Group successfully turned the under-performing assets to genuine cash flow for the Group and improved its liquidity and gearing.

PROSPECTS

With the introduction of the new management team early this year, the Group is now principally engaged in property investment and development in the PRC. We will continue to looking for new investment opportunities on property development project in the PRC. In March 2005, the Group entered into an agreement to acquire a property development project in Shenzhen, the PRC for HK\$35 million. The development site is located on the proposed new subway line of Shenzhen. The Group recognised its high potential return and planned to develop the site into a residential complex for resale purpose.

In addition, the Group acquired the Jin Long Teng seafood restaurant chain in April 2005. Jin Long Teng is now operating two seafood restaurants in Shenzhen and Beijing, the PRC with the brand "Jin Long Teng Seafood Restaurant". The total turnover of these two restaurants was over HK\$20 million in year 2004. This acquisition will strengthen the group's operating cashflow.

Further to the business reorganisation in 2004. The Group decided to dispose the entire interest in Paul. Y. Plaza in April 2004 for a total consideration of HK\$130 million. The Group considered that it is the best alternative for the Group to dispose the project in the present status to a willing buyer. The dispose will further improve the liquidity and gearing of the Group.

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, 22nd April, 2005