

On behalf of the board of directors (the "Board"), I hereby present the annual results of China Strategic Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2004.

A NEW AGE FOR HONG KONG

When all unfavorable sentiment suddenly vanishes in thin air, markets on all sectors become absolutely positive and volume of business booms in amazing rate. Having recorded approximately 7.4% growth in Gross Domestic Product, value of total exports soared by approximately 15.9% and unemployment rate lowered to the 6.5% level, it is not difficult to explain why the government of Hong Kong gratefully awarded year 2004 as the best performing year among the past seven years ^{note 1}. New opportunities and new potentials that emerged, however, also give rise to more fruitful chances of divestment.

During the year under review, the Group have successfully realized some of our investments in retail business and in construction material business and provided significant amount of cash flow for the Group to re-focus on some other more profitable ventures.

Foreseeing the fact that local consumer spending would keep on picking up visibly, amidst the gradually falling unemployment and the robust recovery in the property market, the Group has managed to maintain its exposure in the packaged tour business and in the hotel operator business.

A NEW ERA FOR CHINA

Year 2004 has repeatedly affirmed the Group's consistent positive anticipation to the economy in China. The gross domestic product of the country for the year reached RMB13,651.5 billion, up by 9.5 percent real increase over the previous year while the annual per capita disposable income of urban households in China recorded RMB9,422, a real increase of 7.7% ^{Note 2}.

The expected macro-control measures by the central government were actually being launched during the year, fortunately, in a more refined manner and were no longer as eruptive as they once were. Seemingly, the central government has fulfilled the scientific concept of development strategy in full swing and carefully carried out various measures aiming at enhancing and improving macroeconomic regulation which led to remarkable achievements while with minimal side-effects on other developing sectors.

本人謹代表董事會（「董事會」）呈報中策集團有限公司（「本公司」）及其附屬公司（統稱「本集團」）截至二零零四年十二月三十一日止年度之年度業績。

香港走進新紀元

隨著所有不利因素突然消失，各行各業對前景絕對樂觀，業務量亦以令人振奮之速度迅速增長。本地生產總值錄得約7.4%之增長，出口總值急升約15.9%，而失業率亦下降至6.5%之水平，難怪香港政府將二零零四年評定為過往七年中表現最好之一年^{附註1}。在新機會及新潛力出現之同時，亦為本集團提供大量商機將投資分拆出售。

回顧年度內，本集團成功將若干於零售業務及建築材料業務之投資變現，為本集團帶來大量現金流，使本集團能重新專注於其他利潤更優厚之創投機會。

預期本地消費者消費將顯著回升，加上失業率逐步下跌，物業市場迅速回復，本集團計劃繼續經營其旅行團業務及經營酒店業務。

中國邁進新時代

本集團一向對中國經濟前景均表示樂觀，終於在二零零四年得到連番肯定。中國於年內之本地生產總值達人民幣13,651,500,000,000元，較去年實質增長9.5%；而中國城市家庭之年度人均可動用收入則為人民幣9,422元，實質增長7.7%^{附註2}。

市場一直預期中央政府會實施宏觀調控政策，而最終亦於年內實行。幸運地，是次宏觀調控經過精心策劃，沒有如以往般對經濟造成重大損害。中央政府已明顯地貫徹發展策略之科學理念，並小心推行多項措施，以優化及改善宏觀經濟調控，從而在對其他行業發展造成最少負面影響下，取得顯著成就。

CHAIRMAN'S STATEMENT 主席報告書

The on-going investment strategy in China has been maintained during the year while the Group ventured into the consumer product market in the country through a new investment in a battery manufacturing and trading business in China.

To further bolster its exposure in the tourist industry in China, the Group has entered into a very substantial acquisition and took up a property development project located in the high profile residential area of Jing An District in the metropolitan city of Shanghai. The project includes a parcel of land and a 24-storey building which will be developed into a service apartment. Besides, it is believed that the acquisition would broaden the source of income of the Group and strengthen its asset base.

PROSPECT

As the country has already attained rich and fruitful development in 2004, the Group is confident to the further growth in the economy of China and Hong Kong in time to come. Having positioned itself as a conglomerate investor in various sectors in the country, the Group would, however, maintain its prevalent conservative and cautious investment posture in the coming year and to contribute its effort to explore new investment opportunities.

Despite any uncertainties, the Group will continue to strive to protect the long-term interests of our shareholders.

APPRECIATION

On behalf of the Board, it is our great good fortune that in our time we have been given the opportunity to help recovering the Company and its subsidiaries and to work in harmony with our dedicated staff.

Dr. Chan Kwok Keung, Charles
Chairman

Hong Kong
26th April, 2005

Note 1: Sourced from: the Monthly Report on the Hong Kong Economy December 2004 issued by the Economic Analysis and Business Facilitation Unit of the Financial Secretary's Office

Note 2: Sourced from: The Statistical Communique 2004 issued by the National Bureau of Statistic of China

年內，本集團繼續維持其於中國之一貫投資策略，與此同時，本集團亦透過一項於中國電池製造及銷售業務之新投資進軍國內消費產品市場。

為進一步提升本集團於中國旅遊業之知名度，本集團已訂立一項非常重大收購，並已購入一項位於大都市上海靜安區高尚住宅區之物業發展項目。該項目包括一塊土地，以及一幢將發展成服務式公寓之24層大廈。此外，本集團相信收購事項能擴闊本集團之收入來源，以及穩固其資產基礎。

前景

國家在二零零四年取得了理想豐碩之發展，基於此，本集團對中國及香港經濟未來表現更上層樓充滿信心。本集團以投資國內不同行業之綜合企業投資者為本位，然而，未來一年，本集團將秉承一貫保守及謹慎投資態度，致力尋找新投資機會。

無論面對任何不明朗因素，本集團仍會繼續致力保障股東之長期利益。

致謝

本人謹代表董事會致謝，董事會各成員對能有機會在任內協助本公司及其附屬公司回復，以及能有機會與本集團忠誠員工和睦合作深感光榮。

主席
陳國強博士

香港
二零零五年四月二十六日

附註1: 資料來源：財政司司長辦公室經濟分析及方便營商處出版之香港經濟月報(二零零四年十二月號)(Monthly Report on the Hong Kong Economy December 2004)

附註2: 資料來源：中國國家統計局出版之二零零四年統計公報