



Statement from the Managing Director

I hereby present to the shareholders the results of Great China Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 31st December, 2001.

BUSINESS REVIEW

For the year ended 31st December, 2001, the Group successfully cut down its losses, as the real estate agency services operation fared better than last year due to the effect of the downsizing exercise and the loss-making ship chartering operation was terminated in the financial year 2000. The Group’s investment in Hainan Yangpu Land Development Company Limited (“HYLDC”), a land development enterprise on Hainan Island was also fully provided for in 2000. The Group will keep track of the development of HYLDC. Despite the above, the Group still failed to make a profit as a result of the poor market conditions of the animal feed sector.

During the second half of the year, the fish catch in Peru, the Group’s major fishmeal supply source, was substantially lower than expected. The drastic decrease in supply in turn put substantial pressure on the sales of fishmeal.

The major profit contributions for the year came from the Group’s property investments in Mainland China and Hong Kong. The occupancy rates and rental collection performance of the portfolio holdings of the Group were at a satisfactory level. The rental income from both businesses remained stable and provided a steady flow of fund to the Group. After the year end, a shop unit owned by the Group was sold at profit and the transaction will be completed by April 2002.

As disclosed in the previous annual report and the interim report, an arbitration award was granted to the Group for breach of contract on a joint venture development project in Shanghai. Subsequently, the Group obtained title to certain floors of that project to set off part of the compensation to which it is entitled. As for the remaining balance, the Group already entered into a settlement agreement with one of the defaulting parties in October 2001. Up to the date of this report, such defaulting party has been duly performing its obligations in accordance with the settlement agreement. We believe that the Group will be able to receive the remaining balance of the arbitration award in full.

PROSPECTS

The economy in the United States (“US”) shows signs of recovery after the 911 incident and there is a renewed vibrancy in Mainland China fuelled by its entry into the World Trade Organisation (“WTO”). In light of these two positive factors, we are cautiously optimistic about the market conditions in which our business operations are based in the coming year. We believe increased business activities in the mainland market will lead to a higher demand for residential property in the major mainland cities. As the Group’s retail shops in Hong Kong are fully occupied, the rental income is expected to be stable in the coming year.

However, China’s accession to the WTO is expected to bring about greater competition in its animal feed market. With this in mind, the Group intends to diversify its business operations to cover more products. It is also the objective of the Group to enhance its earnings potential through the diversification of business risks. In fact, the Group has already taken actions to this end by entering the market of tapioca, a kind of animal feed ingredient with very high starch content. Up to date, the performance of this new business has been satisfactory. The Group will continue to explore other products and further diversify its business operation to cover such products with sound development potential.



Statement from the Managing Director *(Cont'd)*

APPRECIATION

Last but not least, I would like to take this opportunity to express my gratitude to members of the board of directors and the staff of the Group for their dedication and sincere efforts during the past year. Thanks are also extended to our clients and business partners for their loyalty and support to the Group over the years. In the future, we will keep up our efforts in enhancing our existing operations and exploring new business opportunities in order to maximize the returns to our shareholders.

John Ho Ming Tak
Managing Director

Hong Kong, 27th March, 2002