

On behalf of the board of directors, I would like to present the 2001 annual results of China Strategic Holdings Limited (the "Company") and its subsidiaries and associated companies (collectively, the "Group") for the year ended 31st December, 2001.

THE AWAKENING OF THE DRAGON

Year 2001 was a very encouraging year for China and advocates of Chinese investment. In the summer of 2001, it was confirmed that Beijing, would be the host city for the 2008 Olympic Games. In addition, Shanghai, the Chinese "Manhattan city", hosted the annual leaders' summit of the Asia-Pacific Economic Cooperation (APEC) forum and restated the growing importance of the country to the political and economic stage of the world. During the year, the most significant move of China was, of course, its accession into the World Trade Organisation (the "WTO") in November 2001. The country was then officially admitted to the club of international trade and its enormous domestic market would be open up, phase by phase, for all capable foreign players in the coming few years. Being a loyal supporter of investing in China, the Group's vision and endurance in exploring the China market was being confirmed and recognized.

As the Group has already established a fully diversified investment portfolio, the management believes that the Group is now ready for capturing any upcoming chances and opportunities. As of 31st December, 2001, the spectrum of the Group's investments in China and the Greater China region was wide enough to include the manufacturing of industrial, consumer and pharmaceutical products, trading and retailing of Chinese and western medicine, newspaper publication, property investment and hotel operation, etc.

FINANCIAL RESULTS

The Group's turnover for the year ended 31st December, 2001 totaled HK\$3.234 billion, representing an increase of 2.4% from HK\$3.158 billion over the last year. The revenue generated from newspaper publication and from the trading of Chinese and western pharmaceutical products had become new sources of income for the Group during year 2001.

The Group's audited consolidated loss attributable to shareholders for the year ended 31st December, 2001 amounted to HK\$598.7 million, representing a decrease of approximately 18% from HK\$730.7 million recorded in last year. The losses incurred was mainly attributable to the impairment loss made for revaluation deficits of the toll highway, investment properties and diminution in value of properties and investment securities totaling HK\$520 million by the Group. Operating losses suffered by the Group's tire operations, newspaper publication as well as provisions made for the diminution in the value of investments were also contribute to the losses.

CHAIRMAN'S STATEMENT

PROSPECTS

Having achieved an increase in Gross Domestic Product of 7.3% in 2001, China is expected to continue to maintain the same economic growth momentum in the coming years. With China's high growth potential and the expected recovery of the economies of Southeast Asian countries in the near term, the Group is actively looking for new investment opportunities in the region especially in China and the Greater China region, to provide long term value to shareholders.

APPRECIATION

On behalf of my fellow directors, I would like to take this opportunity to express our sincere appreciation to the shareholders of the Company for their on-going support and patience in the year just passed. Finally but not least, I would like to extend my deepest thanks to our loyal staff for their commitment and dedication to the Group throughout the financial year under review.

Dr. Chan Kwok Keung, Charles

Chairman

Hong Kong

16th April, 2002