Statement from the Managing Director

I am pleased to submit my report on the performance of Great China Holding Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st December, 2002.

BUSINESS REVIEW

Against a highly unfavorable operating environment, the Group is pleased to report a profit for the year.

The going however has been tough, particularly for our trading operation. Decrease in supply of quality fishmeal in the first half of the year shrank into piecemeal in the second half as a prolonged fishing ban in Peru punched in. At the same time, cut-throat competition among traders and the growing shrewdness of the buyers continued to put pressure on the prices. These interrelated factors hit both the turnover and profitability of our trading operation. We are taking active measures to improve the performance of the trading operation by diversifying its products and sales initiatives in the China market.

Our property business performed much better, though the odds were not much less. As deflation remained recalcitrant in Hong Kong, the number of negative worth individuals went further up. This group of people was formerly the prime spender. Consumption was hurt, as people became either unable or reluctant to spend. This had a direct impact on retail sales and retail properties. With good locations and sensible strategies, we are fortunate that our investment properties in Hong Kong, which are mainly retail properties, remained in good shape both in occupancy and rental. We were also able to grasp the ephemeral opportunities available in the first half of the year to dispose of two investment properties at a handsome gain.

Our investment properties in Shanghai also performed well, contributing a stable rental income to our revenue. In late December, 2002, we launched sales for the renovated properties in Jing An, which we took ownership in 2001. Certain units were sold after the year end and the sales have been encouraging, and could lead to further initiatives to explore new pastures. Property management is another area we are venturing. Our agency arm can maximize its returns from providing the services, which we see good potential given the flourishing property market in Shanghai and our growing presence there.

PROSPECTS

With the active measures we are taking, we are hopeful that the trading operation will eventually improve its performance. But the measures take time to work through, and meanwhile the supply of fishmeal from Peru is still flawed with uncertainty. Hence we might have to brace for some unpleasant time ahead before the path turns less rocky.

It is increasingly likely that Hong Kong and Shanghai will head opposite directions in the years ahead. Highly susceptible to external factors, Hong Kong continues to be affected by the weakening of major economies in particular the United States. Geopolitical uncertainties are adding salt to the wound as they cast serious doubts on corporate and consumer confidence. Internally, the Hong Kong government is seeking to resolve its budget deficit by 2007 through increasing taxes and other charges, and reducing expenses, which would further weaken much of the remaining consumer confidence. Under the circumstances, any rebound in the local economy might be greeted with skepticism – and might indeed turn out to be short-lived.

On the contrary, the Shanghai economy is strong and growing. Even the cynics now recognize that the China story is true this time, and Shanghai as the dragonhead of China is poised to benefit from the robust domestic demand and the huge inflow of foreign capital. China has already surpassed the United States in 2002 as the world's top destination for foreign direct investment. There is no doubt that Shanghai has benefited from this – and will continue to benefit.

An analysis of residential property investment returns in Hong Kong and Shanghai tells the picture. Despite all the advantages Hong Kong still has, average return from residential property investment in Hong Kong is now less than Shanghai. This owes to the fact that the Shanghai residential market is booming whereas its Hong Kong counterpart is tiptoeing.

All these confirm that the Group is right to place its focus on Shanghai. We are however moving in a prudent manner and we are not forsaking our presence in Hong Kong. We reckon that a lot of difficulties need to be overcome before Hong Kong can fully recover. In the meantime, Hong Kong's investment properties will face more pressure on its rental and occupancy rate.

APPRECIATION

On behalf of the board, I would like to thank all our staff for their diligence, and our shareholders, customers and business associates for their support. We will continue to grow our business and to open up new horizons for further improving our performance.

John Ho Ming Tak
Managing Director

Hong Kong, 26th March, 2003