

On behalf of the board of directors, I would like to present the annual results of China Strategic Holdings Limited (the "Company"), its subsidiaries and its associated companies (collectively, the "Group") for the year ended 31st December, 2002.

IT WAS THE WORST OF TIMES: Business Scandals & Stock Market Confusion

After being razed to the ground by the recessing atmosphere following the terrorist attack in New York, the world economy started a slow recovery from the beginning of Year 2002. Nevertheless, financial systems around the globe were soon plagued by scandals of serial business frauds. Desperate demands from the investing public for a revolutionary change in corporate governance pressed regulatory bodies worldwide to establish more stringent legislation concerning information disclosure and accountability of management.

IT WAS THE BEST OF TIMES: Time to roll up our Sleeves

The Group's ongoing strategy of investing in China paid off during the year and saved its operations and financial performance from negative external effects striking economies of the western world. The economy in China maintained good impetus throughout the year and, according to the National Bureau of Statistics of the Peoples' Republic of China (the "PRC"), the gross domestic product (GDP) of the year rose by 8 percent over the previous year at comparable prices (Sourced from: The Statistical Communique 2002).

Under the prudent leadership of the PRC government, inflationary drawbacks accompanying the strong growth in the domestic economy were properly managed. The general level of consumer prices in China for the year was down by 0.8 percent over the previous year. The growing economy and the relatively stable society in China brought about strong internal demands in all sectors that, in turn, resulted in significant expansion to the turnover volume of the tire business and the heavy industry businesses invested by the Company.

The tire business of the Group enjoyed significant growth in trading volume as outputs of motor vehicles and cars in the country increased by 38.8% and 55.2% year-over-year respectively. Moreover, 30,796 kilometers of roads were built during the year (out of which 5,545 kilometers consisted of express highways) showing significant growth potential for even higher automobile usage.

Having considered the steady improvement in the consumption power of Chinese people, the Group believed that their desire for traveling and sightseeing would soar. For that reason, the Company proceeded with its plans scheduled last year and acquired controlling stakes in one of the largest travel agencies in the Greater China Region and in a chain of well-developed hotels. According to the latest statistics provided by the Chinese government, the annual per capita disposable income of urban households was RMB7,703 in 2002, a real increase of 13.4 percent over last year (Sourced from: The Statistical Communique 2002), supporting the Group's prediction of the rapid development in the consumer market of China.

PROSPECT

Though the Group has strong confidence towards the continued prosperity and development in the economy and general living standards of China, it is believed that the year to come will be extremely challenging.

With regards to the unstable political and economical factors in the post Iraq War period and the outbreak of the Severe Acute Respiratory Syndrome in various parts of the world, the Group will exercise utmost caution in managing its existing investments and in assessing any possible investment opportunities.

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

APPRECIATION

On behalf of my fellow directors and all members of the Group, I would like to extend our hearty blessing and support to all healthcare workers in Hong Kong and China who dedicated their self-sacrificing efforts and enthusiasms to save their patients' lives. 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 year under review.

Dr. Chan Kwok Keung, Charles

Chairman

Hong Kong
23rd April 2003