



# 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, 2003.

## BUSINESS REVIEW

In spite of the difficult operating environment, the Group attained tremendous growth in its trading operation during the year. Trading turnover value increased by 12.5% compared with that of last year. The attempt to find more distribution outlets proved to be a success contributing to the improvement in the results of trading business which were unfortunately adversely affected by increase in transportation costs.

Property business continued to reflect favourable performance in Shanghai and Hong Kong. The outbreak of Severe Acute Respiratory Syndrome (“SARS”) brought interruption to the property sales business. After SARS, the Merry Hotel which is situated next to Merry Tower started to upgrade from 3-star to 4-star standard. The construction work caused inconvenience regarding access to Merry Tower. Accordingly, the Group decided to temporarily withdraw the sales campaign for the Merry Tower apartments until the completion of the hotel’s upgrading work in November, 2003. After the upgrading work, the apartments became attractive to potential buyers and twelve Merry Tower apartments were sold during the year.

The Group accepted an offer from a minority shareholder of one of its subsidiaries, Poppins Properties Limited, to purchase all his shares at a consideration of around HK\$17 million after which Poppins Properties Limited became wholly owned by the Group. In view of the potential benefit that the Merry Tower would enjoy after completion of the aforesaid upgrading work, the offer consideration was considered favourable and in the interest of the Group.

Rental and price of properties in Hong Kong started to improve during the last quarter of 2003. The economy started to revive after the tedious drastic recession for the last few years.

## PROSPECTS

Catch and stock quantities of fishmeal in Peru continued to be low. Price of fishmeal is expected to stay at high level during the 1st half of 2004. As a result of the improvement in economy and the standard of living in China, the citizens in China have a growing appetite for seafood leading to increasing demand for quality fishmeal in China. As a result, there is strong increase in domestic sales in China which should boost the Group’s profitability. On the other hand, the recent outbreak of birdflu in Mainland China however is not expected to have unfavourable impact on fishmeal trading in the long run.

Freight costs represent a significant portion of trading operation costs. As there are signs of increase in freight charges, the Group decided to make advance arrangement with shipping companies for our expected vessels requirements for the foreseeable future at a predetermined rate so that freight costs can be stabilized which will work to the Group’s favour. Freight charges continued to stay firm during the first quarter of 2004. As such, the Group expected to enjoy the success of such strategy in the first half of 2004.



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

SARS is over and property market in Shanghai is anticipated to stay in a favourable position. As Merry Hotel has its hotel facilities upgraded from 3-star hotel standard to 4-star hotel standard, it made the immediate vicinity more attractive. In such advantageous environment, the remaining Merry Tower apartments should fetch favourable prices. At the same time, rental income received from the lease of shop space of the shopping mall of Merry Tower is expected to contribute positively to the Group's turnover and profitability in year 2004.

The economy of Hong Kong should stay in a much healthier state in 2004 compared with that of the last few years. This is partly as a result of the relaxation of travel restrictions for mainland tourist, which helps retail business. This in turn benefits the Group's rental income from retail shops. The Group's property investment for rental income in Hong Kong should therefore further improve in performance. The Group will also take advantage of the favourable market conditions to realise some of its properties and consolidate its property portfolio in Shanghai. Property investment business will continue in 2004 to contribute to the Group's profitability.

On 6th February, 2004, the Company had entered into an agreement with an independent party to dispose of its entire indirect interest in the owner and developer of Hainan Yangpu Economic Zone. The transaction was completed on 27th February, 2004 at a consideration of approximately HK\$12 million and to be recorded in the year 2004.

### **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, 15th April, 2004