



Statement from the Managing Director

BUSINESS REVIEW

I am pleased to submit my report on the performance of Great China Holdings Limited (“the Company”) and its subsidiaries (collectively, “the Group”) for the year ended 31st December, 2004.

The Group’s turnover for the year ended 31st December, 2004 was approximately HK\$1,345 million representing a rise of about 73% from the year 2003. Net profit was approximately HK\$34 million, as compared with a net loss of about HK\$20 million for 2003. Earnings per share were HK 12.99 cents, as compared with a loss per share of HK 7.70 cents for 2003.

The Group benefited from the continuous growth of the economy in the PRC and the robust recovery of the property market in Hong Kong. Both the trading and the property sectors of the Group recorded profits for the year under review.

More detailed discussions on the performance of the Group’s individual business sector in 2004 can be found in the section headed Management Discussion and Analysis.

PROSPECTS

We see a few challenges in our trading operations in 2005.

The strong demand for fishmeal in the PRC has driven up its price. The rise was simultaneously fuelled by the devaluation of the US dollar, which had caused stronger purchases from European buyers. So far, the orderly rise in price has been largely absorbed by the end users. Nevertheless, if the rise continues, the demand may eventually be intimidated.

Similar factors apply in the tapioca market. The devaluation of the US dollar against the Thai baht pushed up the importing price of Thai tapioca chips during the last weeks of 2004. The price has since stood at the high level and may remain there for a while, because it is estimated that the long-lasting dry weather in both Thailand and Vietnam has reduced the production of tapioca in the two countries substantially as compared with that of last year. Since tapioca is not the only material that can be used to make ethanol, the rise in tapioca price will almost certainly force alcohol manufacturers in the PRC to consider substitutes. Therefore, if the price of tapioca chip keeps rising, it may eventually result in a reduction in demand.

Apart from the prices of the commodities themselves, the Group is also concerned about the price of freight. Two of the more important factors that affect freight cost are oil price and the availability of freight space, both of which are dependent on the prosperity of the world’s economy. As we are not aware of any sign that may indicate a significant slow down in the world’s or the PRC’s economy in the near future, we cannot see any major drop in the demand for oil nor freight space. On the other hand, the supplies of both oil and freight space in the short term are limited. New vessels take at least two years to build. Following this line of deduction, we expect the freight cost to remain firm.



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

Besides the above, other unforeseeable challenges may also pop up from time to time. As a measure to better prepare the Group to tackle such adversities, we have consolidated and strengthened our management team in the past few years. Also through these unstable years, the Group has established itself as a reliable partner to many importers in the PRC. Furthermore, the successful diversification into the tapioca market has relieved the Group from over-reliance on a single commodity. We are now a sizeable player in both the fishmeal and tapioca markets. In 2004, the Group's market shares of all imported fishmeal and tapioca chips in the PRC were approximately 30% and 10% respectively. We expect these numbers to grow in 2005. Our management team may need to face challenges that usually accompany such growth, for example, issues in credit risk control and talent recruitment.

The outlook for our property sector is more encouraging. In view of the heated sentiment in the property market of Hong Kong, especially in the retail shop sector, we are optimistic that a double digit increment in rental income will be achieved for some of the Group's investment properties when the corresponding tenancy agreements are renewed or replaced in 2005.

We are also optimistic that the property market in Shanghai will continue with its upward trend. The intended sale of the additional apartment units in Merry Tower is expected to bring reasonable profit to the Group in 2005. In a farther perspective, the Group has plans to consolidate its property investments in Shanghai with a view to maximizing the rental incomes from those investments.

APPRECIATION

On behalf of the board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, bankers and other business associates for their trust and support.

John Ming Tak HO

Managing Director

Hong Kong, 8th April, 2005