



### Overview

Year 2002 was a challenging year for the Group. The overall business environment was tough. Owing to this and to keen competition, the operating condition for local catering business was difficult. For the year ended 31st December, 2002, the Group's turnover was HK\$86.4 million (2001: HK\$99.4 million). The Group's net loss excluding provisions for impairment of fixed assets and investments and long service payments in connection with review of employees' salaries and against deposits paid was HK\$15.6 million (2001: HK\$18.6 million), a narrowing of 16% as compared to last year's amount.

The Group's new management team was in place in November 2001. During the year in question, the team rationalized and re-organized the Group's operations. As a result, a solid foundation has been laid for re-building the Group's business by prudently diversifying into other industries and maximizing on the Group's capital resources.

In line with this, the Group had made provisions of HK\$20 million to account for impairment of fixed assets and investments and employees' long service payments in connection with review of employees' salaries and against deposits paid. Although this has increased the Group's net loss from HK\$18.6 million to HK\$35.6 million in year 2002, it also enables the Group to start from new grounds. With manifestation of effects of this year's management efforts in rationalizing and re-organizing the Group's operations, the Group would be on the path of recovery and future growth.

### Review of Existing Businesses

#### Floating Restaurants

The sales of floating restaurants declined in 2002. Total sales were HK\$78 million (2001: HK\$87 million). Average gross operating margin increased slightly to 68% and gross operating profit for the year amounted to HK\$52 million.

As a result of successful implementation of cost cutting and efficiency enhancement program, operating cost was cut by 13% during the year. The staff's salaries were reviewed after the year end, and, as a result, the staff's costs would be further reduced by around \$650,000 per month from March 2003. This means monthly operating costs of the floating restaurants would be reduced by a further 8% from March 2003.

### Investment Properties

Rental property market was badly hit in Hong Kong in 2002, but the Group's rental income from Art Court at 5 Tung Shan Terrace and the Jumbo Court carparks increased by 12% in 2002. The average occupancy rate of the Group's investment property, Art Court, increased from 74% to 90% in 2002.

### Capital

As at the end of the year, the Group's working capital amounted to approximately HK\$222 million. Part of the Group's working capital was used after the year end date to acquire new business. As the Group does not have any borrowing or significant capital commitment and contingent liability, it is in a financially sound position for future growth.

### Events after 31st December 2002

On 28th September 2002, the Company entered into an Underwriting Agreement under which the Company underwrote the rights issue of Value Convergence Holdings Limited (formerly known as iAsia Technology Limited) ("Value Convergence"), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Pursuant to the Underwriting Agreement, the Company on 29th January, 2003 subscribed for 1,007,582,287 shares of HK\$0.10 each of Value Convergence and paid for such shares with internal resources of the Company. As at the date hereof, the Company holds 67.57% of Value Convergence's issued shares, and is Value Convergence's holding company.

Value Convergence carries on the business of providing (a) online financial trading systems and services to a broad range of customers, including securities and commodities dealers, banks, asset management companies, insurance companies and other financial intermediaries, (b) selected financial services, and (c) securities brokerage, commodity trading and corporate financial advisory services in Hong Kong and PRC. The acquisition of Value Convergence into the Group means that the Group's business has been enlarged considerably and now includes, on top of its existing business, the business of investment banking, financial services and technology services.

### Outlook

The Group's business now comprises four divisions, namely, investment banking, financial services and technology division, fine-dining, leisure and tourism division, property investment division and investment and energy division.

## Chairman's Statement

### Investment Banking, Financial Services and Technology Division

As mentioned above, the Group acquired Value Convergence, a well-established technology solution provider, investment banking, corporate finance and brokerage company. Value Convergence's technology arm, under the iAsia brand name, customizes and sells trading and back office systems and solutions to financial institutions and intermediaries in Asia, and has established a leading market position in the financial applications industry in Hong Kong.

The unit has recently successfully kickstarted the business of supplying computer hardware equipment, intelligent surveillance system, enterprise portal solution, business process workflow re-engineering, IT consultancy services and eCommerce infrastructure to clients in Pearl River Area, PRC. This new business was carried on by two subsidiaries, namely, Elixir Group Limited and Elixir Group (Macau) Limited, which have, after a very short lead time, begun to provide services to prominent companies in Macau such as Sociedade de Jogos de Macau, S.A. and Companhia de Electricidade de Macau. The companies have also formed strategic alliances with world-famous hardware suppliers offering the clients with hardware solutions services that complement the unit's software products. With its established position in Hong Kong and its entry into new markets like Macau and the adjacent Pearl River Area, the unit's prospect looks promising.

The Group's investment banking and financial services unit, which was acquired by Value Convergence from Cheung Kong (Holdings) Limited and Canadian Imperial Bank of Commerce, carries on securities brokerage, commodities trading and corporate finance business under the well-established "VC CEF" and "VC CFN" brand names via traditional means and the Internet. Since the Group's acquisition, the unit has embarked on cost-cutting program involving merging of branches and offices and significant rationalization of costs. As a result, the unit's operating costs will be cut by more than HK\$20 million per year. With the cost-cutting measures and the unit's successful track record, well-built infrastructure and strong management team, a solid and reliable foundation has been laid for the Group to become a premium regional investment banking group, offering a comprehensive range of quality financial services for a market focused on Hong Kong, Macau and China.

Further, the established operation of the Group's investment banking and financial services business coupled with the technology know-how and infrastructure of the Group's technology unit will lead to development of new products and services. These products and services will transform into enhanced revenue stream and a broadened client base, as more comprehensive range of quality financial services can be delivered to existing or potential clients, retail or institutional alike.

Hong Kong is renowned as an international financial centre and this status will be further reinforced in the long term. The needs for capital markets always exist, so does that for brokerage services. Although the securities and commodities broking and corporate finance businesses of the Group are inevitably suffering from the impacts of the contemporary global economic downturn, the Directors believe that cyclical upturns and downturns is a normal market phenomenon and by entering the market at downturns will allow the Group to capture the opportunities at market upturns and pave the path for a steady growth of business in the future. With the acquisition of the Value Convergence group of companies, the Group will also be able to participate in the investment banking business in the PRC, giving it another valuable business prospect. The Directors are therefore confident that the inclusion of such companies into the Group will position the Group to become a prominent player in the regional financial services industry.

### **Fine-Dining, Leisure and Tourism Division**

The tourism industry in Hong Kong is likely to remain weak in the coming year. In view of the challenging times ahead, the Group has prepared plans to transform the Group's Jumbo and Tai-Pak Floating Restaurants into a modern complex of fine dining, shopping, sightseeing and cultural attraction to be named "Jumbo Kingdom". With its strategic position, unique design and architecture and great fame locally and overseas, Jumbo Kingdom would become an even more popular tourist, recreational and leisure spot after its rebirth. Leveraging on our recognized brand, Jumbo Kingdom will also create more streams of revenue and potential earnings for the Group and will expand the division's business into areas other than fine-dining. The Directors are confident that it will become a spectacular center of attention and tourist attraction in the Southern part of Hong Kong, and, together with other tourist attractions like Ocean Park, will help promote and market Hong Kong's tourism.

### **Property Investment Division**

The rental property market continues to be soft in the coming year. The Group faces a challenging task to maintain full occupancy and existing rentals of its investment property.

### **Investment and Energy Division**

With China's accession to WTO, and the consequential rapid economic growth, the demand for energy in China will increase tremendously. Among the various forms of energy, natural gas is expected to grow most in terms of demand, due to its environmental friendliness, its cost-effectiveness and Government's support of its development. The Group is actively pursuing energy and natural gas distribution and supply projects in China so as to capitalize on the emerging natural gas market.

The Group is also seeking to establish a professional investment company with overseas and local partners. The Group plans to make direct equity and other investments in companies with good prospects in Greater China via this professional investment company.

### **Conclusion**

In conclusion, the year ahead is likely to be tough and difficult, particularly in view of worldwide fear of terrorism, the war in Middle East, and widespread contagious diseases, all having long-lasting adverse effects on local and worldwide economies and tourism. Notwithstanding this and the uncertain times ahead, the Group has begun a transformation process, whereby a lot of hard work has been done to streamline and rebuild the Group's business. When the changes relating to the Group's business are completed, the Group will become a conglomerate with diversified and exciting businesses. On this, I can continue to rely on the loyalty and support of the Group's management and staff, for whose contributions and hard work last year I would like to express my thanks and appreciation.

### **Dr. Stanley Ho**

*Group Executive Chairman*

Hong Kong, 2 April 2003