

## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of Rockapetta Holdings Limited (the "Company"), I herewith present the annual report of the Company and together with its subsidiaries (the "Group") for the financial year ended 31 December 2002.

The Group reported a turnover of approximately HK\$120 million and a net loss of approximately HK\$8.4 million for year 2002. The improvement in the result of 2002 was mainly attribute to the net gain arising from the disposal of the loss making toy manufacturing and distribution business during the year.

### BUSINESS REVIEW

#### **Diversification of Group's business**

The Group's focus had primarily been on the businesses of toy manufacturing and distribution. Nevertheless, in response to the severe competition and continued consolidation in the toy sector, the Group had since the middle of 2002 begun to identify opportunities for the strategic diversification of its businesses. As such, the businesses of food and beverages distribution, and securities trading and investment, were identified, and the Group then diversified into these areas which became the other core businesses of the Group.

#### **Food and beverages distribution**

During the year, the Group acquired 89.7% interest in Brewerkz Singapore Pte Ltd. which operates Brewerkz microbrewery restaurant and Café Iguana bar restaurant at the Riverside Point in Singapore for a consideration of approximately HK\$16 million.

In October 2002, the Group acquired the entire issued capital of Crystal Wines & Spirits Pte Ltd. which is an international sourcing and distribution house for wines and spirits and also a retailer of wines for a consideration of approximately HK\$2 million.

#### **Securities trading and investment**

During the year under review, the Group has commenced the trading and investment holding in certain under-appreciated securities for short to medium term. Given the volatility in the capital market, the Group will exploit opportunities in order to take advantage of the price recovery of other under-valued securities which may have been overlooked by the market.

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### **Disposal of the Group's non-profitable business**

Despite the continued efforts in attempting to broaden the Group's customer base and the various cost-saving measures implemented by the Group's toy manufacturing and distribution divisions, profit margins for the Group's products had failed to improve and the operating results generated from these divisions continued to show a loss during the period under review.

In view of the consolidation in the toy manufacturing sector and the global economic down-turn in general, improvement in operating environments for manufacturers appeared unlikely in the near future. Further, despite vigorous cost-saving measures implemented by the Group, significant financial and human resources were required to support the labour intensive operation of the Group's toy manufacturing and distribution divisions. As such, in order to better utilize the Group's resources, avoid further operating losses and hindering the future performance of the Group, the entire operation of Group's toy manufacturing and distribution business was disposed of at an aggregate cash consideration amounting to HK\$25 million in October 2002. Following the disposal, the Group's financial and human resources were much strengthened and thus the Group's ability to capture opportunities for future growth has been much improved.

### **PROSPECT**

In general, business operating environment for the past twelve months had been difficult and are expected to continue to be difficult, with investors' and consumers' confidence remaining weak. However, the Group will continue to focus on measures to control operating expenses, retain customer loyalty, reinvigorate current business portfolio, stay ahead of competition, institute effective and efficient management with appropriate incentives, so as to achieve profitable growth.

With the divestment of the Group's toy manufacturing and distribution business, the Group's financial strengths have been much improved. Accordingly, the Group's ability to make timely strategic investments, as and when such opportunities arise, has been greatly enhanced. Further, with the newly gained expertise in the areas of retail operations and distribution of consumer products as a result of the Group's recent diversification of its businesses, the Group will continue to explore opportunities in enhancing shareholders' value by identifying and making appropriate investments and expansions, including to identify potential investment projects with synergetic values with the other undertakings of the Group, and if though fit, to expand into retail operations and distribution of consumer products other than those related to food and beverages.

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### APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank my fellow Directors and our staff for their invaluable contribution and dedication. I would also like to express our gratitude to our suppliers, customers, bankers, business associates, investors and shareholders for their continuous and dedicated support.

**Choo Yeow Ming**

*EXECUTIVE CHAIRMAN*

Hong Kong, 24 April 2003