

BUSINESS REVIEW
Restaurant

Carrianna Restaurant in Carrianna Friendship Square, Shenzhen.



Newly decorated function room in Wanchai Carrianna Restaurant

In Hong Kong, the Wanchai "Carrianna" restaurant was renovated in October 2001 and business was affected during renovation. After renovation, turnover increased satisfactorily. The Tsimshatsui "Carrianna" restaurant was also renovated in June 2002, in order to improve dining environment for customers.

For the coming year, restaurants in China will continue to contribute profit. Hong Kong restaurants already balanced its cash income and expenditure as a result of management effort to control cost and increase new customers. When the economy recovers, Hong Kong restaurants will be in a good position to contribute profit to the Group again.

BUSINESS REVIEW

Property



Imperial Palace completed in May 2001.



Carrianna Friendship Square, a Landmark in Shenzhen City.



The Group acquired 56% interest of Carrianna Holdings Limited (CHL) in November 2001 (See circular to Shareholders on 4 January 2002) and acquired the remaining 2% interest in January 2002. After these acquisitions, CHL becomes a wholly-owned subsidiary of the Group and property business will become the most important source of profit of the Group.

CHL's principal business is the operation and ownership of "Carrianna Friendship Square" located in the business centre of Lo Wu District in Shenzhen City. CHL owns most part of the shopping mall and some remaining unsold units in "Carrianna Friendship Square". From completion of the acquisition in January 2002 to June 2002, rented area and rental income in the shopping mall increased by 18% and 15% respectively. Management has successfully increase rental and control expenses to turn CHL from loss to profit in the first quarter after the acquisition. For the coming year, rental income from "Carrianna Friendship Square" will continue to grow.

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Property



Carrianna Friendship Square is under renovation in July 2002 to provide a modern square for Shenzhen City events



Imperial Gourmet Centre

The other property project of the Group "Imperial Palace", also located in city centre of Lo Wu, Shenzhen, was completed in May 2001. During the year, the shopping area of the building was decorated as "Imperial Gourmet Centre" and the current rent out rate already exceeded 75%. Together with rental income from residential units hold for long term rental instead of sales, "Imperial Palace" started to contribute long term and stable rental income to the Group since second half of this year.

For the coming year, management will focus on improving the operation of "Carrianna Friendship Square" and "Imperial Palace". Rental income will continue to increase and become a stable source of profit and cash revenue of the Group.

Overall, the acquisition of CHL will bring stable profit and cash revenue to the Group. Together with recovery of garment market and strong economic growth in China, the board is optimistic about the prospects of the Group.