

## FOREWORD BY CHAIRMAN



On behalf of the Board of Directors, I am pleased to present the Group's results for the financial year ended 31 December 2002 ("FY2002").

The Group, which has most of its activities in the United States, faced a challenging operating environment in 2002. The US hospitality industry continued to be constrained by the sluggish US economy, the after-effects of the tragic events of 9/11 and geopolitical uncertainties. The economic slowdown that started in 2001 resulted in a more subdued level of travel throughout 2002.

In the year under review, the Group recorded a turnover of HK\$77.8 million comprising mainly revenue contribution of HK\$61.7 million from its subsidiary, SWAN Holdings Limited Group ("SWAN") in the US and interest income of HK\$14.0 million. SWAN's revenue, saw a decline of approximately 17.4 % from the previous year to HK\$61.7 million. This was attributable to the macro-economic factors, as well as the rationalization of our risk management business. Our interest income also declined by 38.9 % from the previous year to HK\$14.0 million due to the sharp decline of interest rates across the world.

*The adoption of a prudent and cautious stance towards new investments during the year has put the group in a good position as it still has substantial cash resources available to capitalise on future investment opportunities.*

In response to the difficult economic environment, SWAN undertook several significant cost rationalization and business refocus initiatives in 2002. Consequently, SWAN incurred a one-time restructuring charge of HK\$13.5 million during the year under review. The re-alignment of the businesses, which was completed by end of June 2002, enabled the Group to substantially reduce its operating cost base and focus its business development efforts on the hotel management and reservations distribution businesses. Following this restructuring, we were able to realize positive results by increasing the number of management contracts to 25 at the end of 2002 as compared to 20 contracts a year earlier and by recording a net increase of 10 reservation contracts to 126 at the end of 2002.

At the operating level, of great significance is the fact that SWAN reported a profit before interest income of HK\$3.9 million for the second half of 2002 as compared to a loss of HK\$17.0 million for the corresponding period in 2001. For the year under review, before accounting for the one-off restructuring charge of HK\$13.5 million and interest income, SWAN reported a loss of HK\$3.7 million as compared to a loss of HK\$26.5 million in 2001.

For 2002, I am pleased to report that the Group achieved a profit of HK\$20.5 million attributable to its shareholders. This takes into account an exchange gain of HK\$29.2 million. The Board proposed a final dividend of HK2 cents per share for the year under review. Basic earnings per share was HK5.35 cents calculated on 383,125,524 ordinary shares in issue during the year. Group's Net Tangible Asset backing per share increased to HK\$1.45 from HK\$1.40 a year earlier.

## PROSPECTS

Given the continued uncertainty over the possibility of a war in Iraq and the timing of the recovery of the US economy, we have continued to adopt a cautious approach. As in 2001, there was no new investment undertaken during the year, which has proven to be prudent. With the retention of our significant cash resources, the Group will be able to capitalize on future investment opportunities.

The decisive measures taken in 2002 to rationalize our operating costs have put the Group in a good position to build on our existing business base and grow our revenues. We continue to work on many potential contracts and are optimistic of converting some of these into multi-year contracts in 2003 and beyond. We will take a very prudent approach in managing the businesses by ensuring costs are kept in line with the level of business activities. Barring unforeseen circumstances, the Group's performance in respect of its current hospitality-related operations is likely to improve in 2003.

On behalf of the Board of Directors, I would like to thank our customers, business partners, shareholders, management and staff for their continued support during a very challenging year.

**Kwek Leng Beng**

**Chairman**

**13 March 2003**