



Dr. Ho presides over opening of the Group's Macau headquarters in the presence of Macau SAR Chief Executive, Mr. Edmund Ho Hau-wah, and Vice Chairman of the CPPCC National Committee, Mr. Ma Man Kei.



In February 2003, the Group acquired a controlling stake in Value Convergence Holdings Limited, a company listed on the Growth Enterprise Market of Hong Kong Stock Exchange. As a result, the scope of the Group's business has expanded considerably. It now comprises three main business sections: the investment banking and financial services section, the leisure and entertainment section and the technology section.

After the acquisition, the Group had successfully executed a carefully planned costs rationalisation programme, which led to a reduction of the operating costs of the financial services business by 30% in the first quarter. This was followed by organizational restructuring, enhancement of quality sales force, introduction of innovative products and service packages and sourcing of new deals from the Group's new offices in Shenzhen and other PRC cities. These efforts paid off – the Group's financial services business went from substantial loss in the first half of 2003 to profit earning in the second half. Turnover improved by about 125% as compared to 2002's figure, while market share increased by 43% over the same period.

Apart from financial services business, the Group's technology business also achieved a successful turnaround. The Group's IT operation in Hong Kong, the iAsia division, continued its success in securing quality new clients in 2003, and some products like foreign exchange trading system gained significant market share. The Group's Macau IT operation, the Elixir division, became a prominent IT outsourcing partner and gaming machine IT specialist.



Mr. Li Yongwu, Deputy Director, Liaison Office of Central Government in MSAR, Mr. Wu Hongbo, Former Deputy Commissioner, Ministry of Foreign Affairs in MSAR, Mr. Au Man Long, Secretary for Transport and Public Works in MSAR, and other dignitaries at the ribbon cutting ceremony of the Group's Macau headquarters' grand opening.



However, the Group's fine-dining business was seriously affected by the Severe Acute Respiratory Syndrome (SARS) epidemic, which drastically reduced the number of tourist and local customers to the Group's restaurants in the first half of 2003. The patronage rate somewhat recovered in the second half, but the SARS effect is still felt. The Group has taken swift measures to reduce costs and upgrade its restaurant staff's quality. It has also begun an extensive renovation/revitalisation programme, which saw the opening of the six-star restaurant (Dragon Court) in January 2004 and other new and exciting features and attractions will be opened soon.



Dr. Ho examining a state-of-the-art electronic roulette machine distributed by Elixir at the opening of the Mocha Slot Lounge at Hotel Royal.

The Group announced in March 2004 that it will purchase a 80% interest in Mocha Slot Group Limited, which leases gaming machines and provides related management services to the lessees in Macau. It also announced a group reorganization plan whereby the technology business would be directly owned by the Melco group. These transactions are subject to independent shareholders' approvals, and, when approved, will be completed in May 2004. I am confident that they will be beneficial to the Group, as the Mocha Slot Group's acquisition brings with it good growth and earnings potentials, and the restructuring of the technology business rationalizes Value Convergence's business and enables it to focus on its investment banking and financial services business.

With the SARS epidemic behind us and the Closer Economic Partnership Arrangement (CEPA) and the Facilitated Individual Travel (FIT) programme beginning to show their positive effects, Hong Kong and Macau economies are anticipated to grow in 2004. The influx of foreign funds and the increasing number of IPOs and individual travellers from China are expected to continue in 2004. Hong Kong's capital market is set to have a rebound, and this provides a very good setting for the taking off of the Group's financial services business. Tourism and gambling business in Hong Kong and Macau is poised to flourish in 2004, and this provides a good ground for improved performance of the Group's leisure and entertainment business. The great efforts last year to strengthen the Group's operations enable the Group to capture opportunities arising from the markets' improvement. As a result, I am confident that the Group's businesses will continue their upwards trend in the coming year.

I would like to thank all of our staff and management for their exemplary hard work and dedications, without which this has not been possible. I am certain that I can count on their continued support and loyalty in the coming year.

By Order of the Board

Dr. Stanley Ho
Chairman

Hong Kong, 21st April 2004