

Management Discussion & Analysis



REVIEW OF FINANCIAL RESULTS

The Group's total turnover increased by HK\$230,609,000 or 9.3% to HK\$2,708,281,000. Profit attributable to shareholders increased significantly by HK\$71,601,000 or 646% to HK\$82,683,000 mainly due to the gain on the disposal of 20% equity in a subsidiary. Earnings per share rose to 1.07 Hong Kong cent from 0.16 Hong Kong cent.

TRAVEL AND TRAVEL-RELATED SERVICES

Turnover was increased by HK\$220,757,000 or 9.8% due to the continuous demand in outbound travel tours. Short-haul tours, especially tours to Mainland China and South-East Asia countries, were more preferred to long-haul tours. However the market was very price competitive and thus reduced the contribution to operation profit by HK\$18,913,000 or 8.2%.

TRANSPORTATION SERVICES

Turnover was slightly above last year by HK\$9,852,000 or 4.4%. Contribution to operation profit was reduced mainly due to the fierce competition in cross-border coach service, rising fuel cost and relatively higher running cost in developing new routes, e.g. Airport Chinalink.

ASSOCIATED COMPANIES

The associated company in Guangxi continued to generate reasonable return which was slightly below that of last year whereas the one in Guangzhou recorded a small loss but was improving. The investment in Harbin reported a loss mainly attributable to less business generated from the Water Park and other entertainment outlets.

NON-CURRENT ASSETS

During the year, the Group had injected HK\$70,500,000 to a scenery project in Chengdu, the PRC. The project covers 465 acres of land and expected to be completed in three phases. The loss on the disposal of the shares of Star East Holdings Limited and the results of the associates reduced the net non-current assets by HK\$29,406,000 to HK\$964,401,000.

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CURRENT ASSETS AND CURRENT LIABILITIES

The current ratio was improved from 1.38 to 1.68 mainly attributable to larger bank balances.

LIQUIDITY AND CAPITAL RESOURCES

Net proceeds of HK\$16,560,000 were received from the shares placement on 19 February 2001 and HK\$184,665,000 were received from the partial disposal of equity in subsidiaries. The Group had a positive bank balance of HK\$40,434,000 as at 31 March 2001 after deducting all outstanding bank borrowings and finance lease obligations. There was no material capital commitment as at 31 March 2001. Total net book value of assets pledged to financial institutions for securing credit facilities for the use by the Group amounted to HK\$364,655,000 as at 31 March 2001.

EMPLOYEES

At 31 March 2001, the Group had approximately 1,401 employees with 69 stationed in the PRC and 43 in other overseas countries. The remuneration policy and package of the Group's employees were reviewed and approved by the Directors. In addition to the double pay and pension funds, the Group also provide training programmes for its employees.