

Management Discussion and Analysis

RESULTS

For the year under review, turnover of the Group was approximately HK\$116.8 million representing an approximately 61.3% decrease from last year (2002: approximately HK\$302.3 million). Profit attributable to shareholders amounted to approximately HK\$35.6 million, representing an increase of approximately 130.9% when compared to last year. (2002 Loss attributable to shareholders: approximately HK\$115.4 million). Earnings per share for the year were 9.0 HK cents. (2002 Loss per share: 77.4 HK cents).

REVIEW OF OPERATIONS

Construction Business

Construction projects generated turnover of approximately HK\$60.5 million which accounted for approximately 51.8% of the Group's total turnover. The general business environment remained sluggish during the period under review, which directly affected the construction industry. There was a reduction in the commencement of new construction project while the tender prices was also experiencing an ever-decreasing trend. The turnover decreased by approximately 77.1% when compared to last year. The restructuring and prudent cost control allowed the Group to record a profit of approximately HK\$0.6 million, representing an increase of approximately 102% when compared to last year, despite the decrease in turnover. Several projects were in progress including Xinhua News Agency and Lamma Power Station.

Retail Business

Despite the outbreak of SARS, the turnover of the Group's retail business increased due to the relaxation of travel restrictions by the PRC government. Turnover contributed by the retail business amounted to approximately HK\$56.4 million, representing an increase of approximately 161.3% when compared to last year, which accounted for approximately 48.2% of the Group's total turnover. Operating loss amounted to approximately HK\$0.02 million of which the disposed subsidiary contributed the loss of approximately HK\$0.9 million (2002: approximately HK\$0.5 million).



8

FINANCIAL REVIEW

Pledge of Assets

As at 30 September 2003, the Group had certain assets pledged to financial institutions for term financing amounted to approximately HK\$1.0 million, of which approximately HK\$0.1 million is repayable within one year (2002: approximately HK\$0.1 million).

Contingent Liabilities

As at 30 September 2003, the Group had no contingent liability.



Management Discussion and Analysis

Liquidity, Financial Resources and Gearing

As at 30 September 2003, the Group had net current assets of approximately HK\$19.3 million (2002: approximately HK\$11.4 million) and had net assets of approximately HK\$29.3 million (2002: net deficit of approximately HK\$95.2 million). The recovery from net liabilities to net assets position was due to the debt restructuring exercise of the Group during the year.

As at 30 September 2003, the Group had total financial borrowings of approximately HK\$11.5 million as compared to approximately HK\$118.3 million at last financial year end date, of which approximately HK\$0.03 million represents obligations under finance leases (2002: approximately HK\$0.14 million).

The Group's total financial borrowings were denominated in Hong Kong dollars and bear interest at floating rates. Of the total financial borrowings, approximately HK\$10.6 million (2002: approximately HK\$0.14 million) is repayable within one year or on demand, while approximately HK\$0.9 million (2002: approximately HK\$118.2 million) is repayable after one year.

The bank loan of approximately HK\$1.0 million were secured by property, plant and equipment with a carrying value of approximately HK\$2.3 million (2002: approximately HK\$2.3 million).

Shareholders' funds of the Group as at 30 September 2003 recorded a surplus of approximately HK\$29.3 million (2002: deficit of approximately HK\$95.2 million). Accordingly, the gearing ratio which is measured on the basis of the Group's total borrowings over the shareholders' funds was 39.3%.

Capital Structure

Capital Reorganization

During the year, a special resolution was passed in an extraordinary general meeting of the Company held on 6 February 2003, pursuant to which and with the sanction of an Order of the High Court of the Hong Kong Special Administrative Region dated 21 May 2003, the paid up capital of the Company was reduced from HK\$1,600 million divided into 400,000,000 ordinary shares of HK\$4.00 per share to HK\$4 million divided into 400,000,000 ordinary shares of HK\$0.01 per share (the "Reduced Share") by the cancellation of HK\$3.99 of the paid up capital on each share (the "Capital Reduction"). After the Capital Reduction and based upon the number of issued shares of the Company as at 21 May 2003, an amount of approximately HK\$594 million from the share capital account of the Company was cancelled and credited to the contributed surplus account of the Company and was applied to eliminating part of the accumulated losses of the Company. The Capital Reduction became effective on 2 June 2003 whereupon every 10 Reduced Shares were consolidated into 1 share of HK\$0.01 each and the share capital of the Company was increased from HK\$4 million to HK\$1,600 million by the creation of an additional 159,600,000,000 ordinary shares of HK\$0.01 each.



Management Discussion and Analysis

Subscription of New Shares

Pursuant to a subscription agreement dated 20 May 2003 and a supplemental agreement dated 10 June 2003 entered into between the Company and Silver Rich Macau Development Limited, Spring Wise Investments Limited and Leader Assets Limited in relation to the subscription of an aggregate of 1,043,200,000 new shares at HK\$0.0671 per share (the “Subscription”). The Subscription was completed on 25 July 2003.

Placing of New Shares

Pursuant to a placing agreement dated 20 May 2003 and a supplemental agreement dated 10 June 2003 entered into between the Company and Tai Fook Securities Company Limited in relation to the placing of 298,000,000 new shares at HK\$0.0671 per share to not less than six independent investors (the “Placing I”). The Placing I was completed on 31 July 2003.

The net proceeds derived from the Subscription and the Placing I amounted to approximately HK\$89.0 million has been applied as to approximately HK\$20.0 million to pay the Settlement Sum (as defined in the circular of the Company dated 2 July 2003), as to approximately HK\$25.0 million to settle the Full Ample Indebtedness (as defined in the circular of the Company dated 2 July 2003) and as to approximately HK\$44.0 million as general working capital for meeting the financial needs of the operations of the Group and for investing in new business with good potential when opportunities arise.

Subsequent to the period, pursuant to a placing agreement dated 3 November 2003 and a supplemental agreement dated 17 November 2003 entered into between the Company and Tai Fook Securities Company Limited in relation to the placing of 97,200,000 new shares at HK\$0.4325 per share to not less than six independent investors (the “Placing II”). The net proceeds amounted to approximately HK\$41.0 million has been applied as to approximately HK\$10.0 million as general working capital of the Group and as to approximately HK\$31.0 million for making investments in tourism and retail related businesses in Hong Kong with good potential when opportunities arise. The Placing II was completed on 17 November 2003.

Staffing

As at 30 September 2003, the Group had approximately 148 employees. Remuneration is determined by reference to their qualifications, experiences, responsibility and performance of the staff concerned. Apart from the basic remuneration, staff benefits include medical insurance, retirement benefits under Mandatory Provident Fund Scheme, etc.

PROSPECTS

Construction and retail have been the Group’s principal businesses all along. However, since the property market remained sluggish, the number of new construction projects reduced. On the other hand, the tender price also dropped due to the cutthroat-price competition. Hence, the outlook of the construction business is not promising.

In order to diversify its business, the Group set up Travel Success Limited to develop the tourism business in October 2003. In addition, the Group entered into an agreement on the acquisition of 55% interests of a cruise ship and its inventories at a total consideration of approximately HK\$52.0 million. Upon completion of the acquisition on 12 January 2004, the name of the cruise ship was changed to “Macau Success” (the “Cruise Ship”). The Cruise Ship was leased to Hover Management Limited for a period of 36 months. The fixed monthly rental payment was agreed to be HK\$2.5

Management Discussion and Analysis

million together with a variable payment amounted to 15% of the aggregate monthly revenues generated by the Cruise Ship, this percentage may be adjusted upward to not more than 25% if the monthly revenues are more than HK\$20 million per calendar month.

According to a survey conducted by the MasterCard International, the confidence to consume (the “Index”) has surged from 23.2 in the period of SARS to 81.1 in the fourth quarter of 2003, that is a 3.5 times increase. The Index is even 45% higher than the period before the financial crisis. At the same time, the “Individual Visit Scheme” also stimulates the retail market to a large extent. The retail business is expected to exhibit satisfactory performance.

Following the implementation of a series of measures to boost the economy by the Hong Kong government, coupled with the execution of the “Individual Visit Scheme” by the PRC government starting from July 2003, the local tourism and retail industries have significantly revived. The opening of Hong Kong Disneyland in 2005, the transformation of Macau into “Asian Las Vegas” after the issuance of more casino-operating licences by the Macau Government and the development of HK-Zhuhai-Macau Bridge would further boost the entertainment and tourism industries.

Accordingly, the Group will strategically focus on the development of the retail, travel and cruise businesses and at the same time, will capture the growth and further explore and, when opportunities arise, invest in new business with good potential in Macau.

The management of the Group is committed to enhance the shareholders’ value by implementing strategic developments and plans, leveraged on the expertise and experience of the management. The Group is dedicated to capitalize on the reviving economy of Hong Kong and the growing affluence in the PRC.

