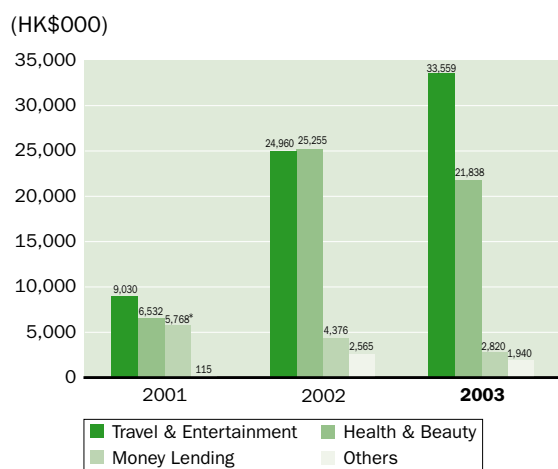


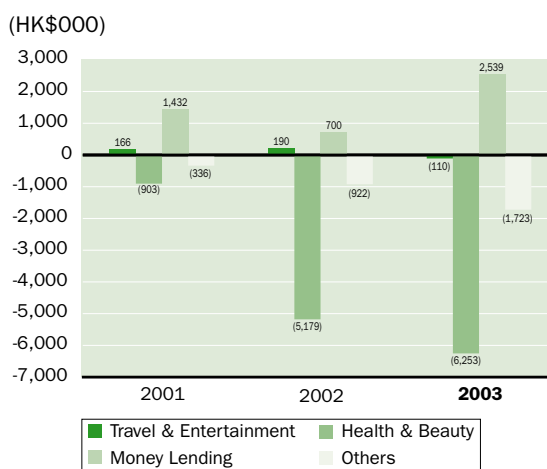
## Operation Review

### Turnover



\* The turnover accounts for 3 months operation since acquisition by the Company

### Segment Result



2003 was a difficult and exciting year for the Hong Kong economy. Local economy remained volatile in the first half year such as global political uncertainties and outbreak of SARS in mid-March. However the situation was turnaround in the second half year. Local economy was strongly rebounded. The business confidence and market sentiment has been restored gradually especially in the retail and tourism sectors where our core business divisions state. This could be attributed to the conclusion of the Closer Economic Partnership Arrangement (CEPA) and the relaxation of travel restriction for individual travelers from the Mainland China. In the year ahead, the management could remain focused to further build on the Group's strengths and be responsive to the ongoing changes of the operating environment.

### Travel and Entertainment

Despite the tough situation with the outbreak of SARS and war in Iraq, turnover of travel and entertainment division reached HK\$33.6 million representing an increase of 34% as compared to year 2002. It accounts for approximately 56% (2002:44%) of the Group's turnover in 2003. In order to bring in more value-added services to its customers and achieve synergy with its existing travel business, the Group acquired 5% interest in junket operations in Macau in November 2003. The investment is further increased by 10% to a total of 15% in February 2004. Business environment in travel sector in the past year had been volatile and competitive, in view thereof stringent cost control had been maintained over its operating cost with every endeavour to maximize its operating efficiency. As the junket investment was only recently acquired, time is required for reaping a return on such investment while professional expenses were incurred on the acquisition apart from the investment cost. From profit of HK\$190,000 in 2002, there is reported a segment loss of HK\$110,000 in 2003.

### Health and Beauty services

The operating results for health and beauty services derived from operations of a ladies beauty center trading under the name "Spa D'or" and a prestiged hair salon named "Headquarters" forming an integral part of leisure related business division. The sales for the year were approximately HK\$22 million, representing a decrease of 14% from last year. The business of health and beauty sector was badly stricken in view of the sluggish economy in the first half year and unfortunately it takes longer time to recover than the travel division. To combat, the Group has adopted various measures including launching a series of marketing events to boost sales and tightening cost control to minimize expenses. The loss of this sector for the year was approximately HK\$6.3 million, reflecting an increase of 21% from that of last year.

## Money Lending

Loan interest income for the year was approximately HK\$2.8 million, 36% decrease from last year as a result of the overall shrinkage in money lending business. The management in general holds a very conservative view on exposure to credit risk and as such, no provision for doubtful loans is required for the year except for the amount previously provided. It explains the HK\$2.5 million net profit generated from this business sector during the year under review compared to HK\$700,000 in 2002.

## Financial Review

### Financial Performance

The Group's net loss attributable to shareholders was approximately HK\$5.4 million for the year reduced by 74% as compared to year 2002. It was mainly attributable to an exceptional gain on disposal of a subsidiary, which holds Group's entire interest in "FORTEI" trademarks, of HK\$9.6 million which is in line with the Group's policy of focusing on travel, entertainment and leisure related business. Excluding the gain on disposal of subsidiary, the Group's net loss was about HK\$15 million. The Group's consolidated turnover for the year was approximately HK\$60 million, an increase of 5% from that of last year. This could be attributed to the Group's clear focus on its core businesses as well as effective operating cost control.

The other revenues was decreased by 22% to HK\$2.6 million mainly as a result of reduce in bank interest income, royalty income and management income.

The operating expenses net of other revenues and other operating expenses amounted to HK\$41 million decreased by 15% as compared to last year.

As at 31 December 2003, the Group's net asset value was HK\$66 million and had a net asset value per share of HK\$0.03. The Group's total assets and liabilities (excluding minority interest of HK\$0.9 million) were HK\$122 million and HK\$56 million respectively.

### Liquidity and Financial Resources

For the year ended 31 December 2003, the Group principally financed its operations and investing activities by its internal resources. The Group generated net cash flows from operating activities of approximately HK\$3.7 million. As at 31 December 2003, cash and cash equivalents of the Group amounted to approximately HK\$44 million (31 December 2002: HK\$43 million).

On 11 December 2003, HKMJIL entered into agreements with 19 parties in relation to subscription of the HK\$45 million 3% convertible notes of the Company. The subscription is completed on 15 January 2004. As at 31 December 2003, the HKMJIL received \$32 million deposit from some subscribers and which is included in the financial statements as other payables under current liabilities.

The Group had net current assets of approximately HK\$49 million (2002: HK\$63 million). The current ratio (calculated as the current assets to the current liabilities) of the Group as at 31 December 2003 was approximately 1.9 (2002: 5.6). The gearing ratio (calculated as the total long term loan to the total shareholders' equity) of the Group as at 31 December 2003 and 2002 was zero.

# MANAGEMENT DISCUSSION AND ANALYSIS

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The sales and purchases of the Group are mainly denominated in U.S. dollars or Hong Kong dollars with exchange rate relatively stable during the year under review, the Directors considered that the Group's exposure to fluctuations in exchange rates was minimal.

The Group had no assets pledged during the year under review.

As at 31 December 2003, neither the Company nor the Group had any significant contingent liabilities (2002: Nil). The Group did not have any significant capital commitments during the year under review.

## Capital Structure

During the year under review, there is no changes in the capital structure of the Group. Subsequent to year ended 31 December 2003, HKMJIL issued a convertible notes of aggregate principal amount of HK\$45m with maturity date on 14 January 2007. The convertible notes can be converted into ordinary shares of the Company at a conversion price of HK\$0.3 per share (subject to adjustments from time to time in accordance with the provisions set out in the subscription agreement) during the period from 15 January 2005 to 14 January 2007. The total number of shares of the convertible notes will change with the change of conversion price of the convertible note from year to year. The net proceeds from the issue is for general working capital of the Group and other investment opportunities in the gaming and entertainment industry that the Group may identify from time to time in the future.

## Material Acquisitions and Disposals

On 19 November 2003, the Group acquired 5% interest in junket operations in Macau for an aggregate cash consideration of US\$1.5 million (approximately HK\$11.7 million). Details of which were disclosed in a circular dated 12 December 2003. The investment was increased to 15% by acquiring further 10% interest in the junket operations for an aggregate cash consideration of HK\$23.4 million in February 2004.

On 7 January 2003, the Group acquired 100% equity interest in Century Legend Securities Limited for a consideration of HK\$7.8 million.

During the year, the Group disposed of its entire interest in Fortei Licensing Limited which owned all the "FORTEI" trademarks to an independent third party for a consideration of RMB10 million (approximately HK\$9.6 million).

## Employment Information

As at 31 December 2003, the Group employed approximately a total of 105 employees (2002: 132). The Group's emoluments policies are formulated on the performance of individual employee and are competitive in the market. During the year ended 31 December 2003, the total staff costs (excluding Directors' emoluments) amounted to approximately HK\$11 million (2002: HK\$12.5 million).

The Group operated a share option scheme (the "SO Scheme") for the purpose of providing incentives and rewards to Executive Directors and full time employees of the Group. The SO Scheme expired on 15 June 2003 and there was no option outstanding at any time during the year.

