

FINANCIAL REVIEW

The Group's turnover for the year ended 30 June 2004 (the "Current Year") amounted to HK\$160,960,000 (2003: HK\$3,993,000), representing an increase of 39.3 times as compared with last year. The increase is mainly due to the satisfactory results of trade operations and the rental growth from the serviced apartments in China. Loss attributable to shareholders amounted to HK\$7,182,000 (2003: HK\$24,129,000), representing a decrease of 70.2% from last year. This is mainly due to the higher profit generated from trade operations and property leasing as compared with last year.

As at 30 June 2004, total assets and net assets of the Group were HK\$441,365,000 (2003: HK\$295,429,000) and HK\$257,860,000 (2003: HK\$258,349,000) respectively, representing an increase of 49.4% and a decrease of 0.2% as compared with last year.

As at 30 June 2004, the Group had cash and deposits in banks totalling approximately HK\$642,000 (2003: HK\$20,747,000), representing a decrease of HK\$20,105,000 compared with last year. The Group's net current liabilities were HK\$13,675,000 (2003: HK\$4,992,000), which is mainly attributable to more resources being put into the Group's investment projects which were still in the stage of investment.

As at 30 June 2004, the Group's outstanding bank borrowings amounted to HK\$167,699,000 (2003: HK\$15,617,000), all repayable within one year. The gearing ratio (total borrowings/total assets) was 38.0%.

As the Group's business are mainly in the PRC and Hong Kong, and there was no significant fluctuation in the exchange rate of Renminbi against Hong Kong Dollar, the Group did not have material risk in foreign exchange fluctuation and there was no corresponding provision for hedging. The Group had not used any financial instruments for hedging against foreign currency investments.

BUSINESS REVIEW AND PROSPECTS

Trade Related Operations

During the Current Year, the Group's trade related operations recorded a turnover of HK\$152,770,000 (2003: HK\$2,415,000), representing an increase of 62.3 times as compared with last year. The increase is mainly attributable to the trade business in China. In the light of the immense growth potential of the mainland economy, the Group will keep up its investment in the China trade related operations to reinforce its existing trade related operations and explore opportunities for diversification.

Management Discussion and Analysis

The Group's trade related operations is expected to benefit further from the strength of the PRC economy and the gradual recovery of the economy in Hong Kong. Therefore it is expected that the Group's trade related operations will generate considerable revenues and earnings in the near future. The Group will also continue to seek suitable opportunities to extend the scope of business so as to deliver higher investment yields and returns to shareholders.

Travel Related Operations

During the year, the Group's travel related operations recorded a turnover of HK\$832,000 (2003: HK\$531,000), representing an increase of 56.7% as compared with last year. With the Individual Visit Scheme signed and implemented by Hong Kong and Mainland China, it is believed that the tourism business across the border will experience rapid growth. Thus the demand for hotel accommodation and air tickets becomes tremendous. This will in turn support the growth of the travel related operations of the Group.

Following the signing of the CEPA, the relation between Hong Kong and the PRC has become closer and closer. Besides, after the implementation of the Individual Visit Scheme, the number of mainland visitors to Hong Kong has been on the rise. According to the latest statistics published by the Hong Kong Tourism Board, the number of visitor arrivals to Hong Kong in the first eight months this year was already over 14 million, representing an increase of 58.4% from the same period last year. The local hotels also had an substantial increase in their accumulated occupancy rates, recording an average occupancy rate of 86%.

The Group believes that the demand for air tickets and hotel accommodation in Hong Kong and China will continue to rise. This will in turn drive the development of the Group's travel related operations. The Group will continue to deploy existing resources to pursue diversification of its travel business in order to attract more customers and generate stable and substantial revenues to the Group.

Property Investment

The high-end property held by the Group in Yangpu District, Shanghai is being leased as a self-operated serviced apartments. With the economic growth in Shanghai, rental income posted a dramatic increase and generated a revenue of HK\$7,358,000 (2003: HK\$1,047,000) in the Current Year, representing an increase of 6.0 times.

In order to enhance its service quality and meet market demand, the Group intends to invest RMB30 million in renovating and modernising such serviced apartments. Completion of such projects is expected to enhance the investment returns of the Group.

In August 2004, the Group acquired a piece of land in Zha Bei District, Shanghai covering an area of 4,902 square metres, which is intended to be held as a long term investment. The Group will develop the land into serviced apartments or hotel on its own or in partnership with potential investors. Such development is in line with the objective of its travel related operations to provide comprehensive travel services.

Liquidity and Financial Resources

The Group's financial resources are mainly derived from cash flows generated from operating activities and bank borrowings. As at 30 June 2004, the Group's cash on hand and deposits in banks totalled approximately HK\$642,000 (2003: HK\$20,747,000), comprising Hong Kong dollar deposits of approximately HK\$134,000 and Renminbi deposits of approximately RMB539,000.

As at 30 June 2004, the Group's bank borrowings were HK\$167,699,000 (2003: HK\$15,617,000), comprising US\$3,354,000 in US dollar loan and RMB150,000,000 in Renminbi loan. The US dollar loan bears interest at floating rates while the Renminbi loan bears interest at fixed rates. All borrowings were secured by the Group's investment properties.

Contingent Liabilities

As at 30 June 2004, the Group did not have any material contingent liabilities.

Pledge on the Group's Assets

As at 30 June 2004, the Group's bank borrowings were secured by its investment properties with a carrying value of HK\$278,858,000.

Employment Remuneration Policy

As at 30 June 2004, the Group had a total of 14 employees in the PRC and Hong Kong. The staff costs for the year amounted to HK\$8,870,000 (2003: HK\$8,136,000). In order to maintain the competitiveness of the Group's remuneration package, the salary and bonus of the staff are based on their individual performance.