MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's turnover for the year ended 30 June 2005 (the "Current Year") amounted to HK$122,067,000 (2004: HK$160,960,000), representing a decrease of 24.2% as compared with last year. Such decrease is mainly attributable to the failure of finalising some trade agreements by the Group during the year, thus decreasing in trade related revenue. Loss attributable to shareholders amounted to HK$67,066,000 (2004: HK$7,182,000), representing an increase of 8.3 times from last year. Loss attributable to shareholders for the year mainly comprised the revaluation deficit of approximately HK$47,143,000 of properties in Shanghai and the amortization of goodwill amounted to approximately HK$19,200,000 for the year. The Group's loss attributable to shareholders for the year would be HK$723,000 if these two factors are excluded.

As at 30 June 2005, total assets and net assets of the Group were HK$479,697,000 (2004: HK$441,365,000) and HK$261,701,000 (2004: HK$257,860,000) respectively, representing an increase of 8.7% and 1.5% as compared with last year respectively.

As at 30 June 2005, the Group had cash and deposits in banks totalling approximately HK$371,000 (2004: HK$642,000), representing a decrease of HK$271,000 compared with last year. The Group's net current assets were HK$137,000 (2004: net current liabilities of HK$13,675,000), an increase of HK$13,812,000 as compared with last year.

As at 30 June 2005, the Group's outstanding bank borrowings amounted to HK$141,509,000 (2004: HK$167,699,000), all repayable on demand. The gearing ratio (total borrowings/total assets) was 39.8% (2004: 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 the 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

Travel Related Operations

During the year, the Group's travel related operations recorded a turnover of HK$111,255,000 (2004: HK$832,000), representing an increase of 132.7 times as compared with last year. Such increase is mainly attributable to the revenue generated from the successful acquisition of 60% equity interests in Gainnew by the Group in March 2005.

However, the casino-onboard of Omar III ceased operation at the end of September 2005 due to a change in ownership of Omar III and accordingly, the Group terminated all its related operations on Omar III. On 19 October 2005, the Group entered into a settlement agreement with Mr. Benny Ki, pursuant to which, Mr. Benny Ki made a cash payment of HK$52,500,000 to the Group, and the convertible note in an aggregate amount of HK$22,500,000 was cancelled, which will generate a remarkable profit to the Group for the next financial year. Details of which is set out in the announcement of the Company dated 20 October 2005.

In addition, facing extremely keen competitions, the Group's revenue from online air ticketing and hotel service reduced. Thus, the Group has decided to terminate the related operations at the end of the current year. The Group is actively developing other travel related operations, aiming to generating steady and considerable revenue to the Group.

Travel Related Property Investments

The high-end properties held by the Group in Yangpu District, Shanghai is leased as self-operated serviced apartments. As the economy of Shanghai continued to grow during the Current Year, the Group's rental income increased accordingly and generated a revenue of HK$10,812,000 (2004: HK$7,358,000), representing an increase of 46.9%.

To enhance service quality and better meet market demand, the Group invested approximately RMB32,000,000 in renovating and modernising its service apartments. Such renovation and modernization had been completed and is expected to enhance the investment returns of the Group.

Moreover, in August 2004, the Group acquired a piece of land of 4,902 square metres in Zha Bei District, Shanghai, as reserve for a long term investment. The Group plans to build service apartments or develop a hotel on the site either on its own or with potential investors. Such development is in line with the objective of the Group's travel related operations to provide comprehensive travel services.

Complement its travel related property investments in the PRC, the Group decided to invest approximately RMB146,000,000 in April this year to acquire of a commercial plaza on Deng Shi Kou Main Street, Dong Cheng District, Beijing. The plaza is located at the heart of Wangfujing, and is fully occupied. After the acquisition is completed the Group plans to invest more resources to position the plaza into a tourist attraction in Wangfujing and thereby generate more favourable returns to the Group.

Trade Related Operations

During the Current Year, the Group did not enter into any trade agreement and its trade related operations recorded a turnover of HK$Nil (2004: HK$152,770,000). Several trade agreements are currently under negotiation and the Group believes these agreements, if reached, will generate considerable revenues for the Group next year.

The relationship between the PRC and Hong Kong has been tightening with talks on several major infrastructure projects in progress. In addition, the Hong Kong-Zhuhai-Macau Bridge will be set for construction in the foreseeable future. This will bring more business opportunities for the Group's trade operations. The Group will continue to identify more new business partners so as to prepare itself for entering the massive PRC market and deliver impressive returns to its shareholders.

Other Operations

In order to expand the operations of the Company and enhance the investment returns for the shareholders, the Group is actively exploring new investment opportunities including resources investment operations, aiming to broadening the income streams and bringing more steady revenue for the Group.

Liquidity and Financial Resources

The Group derives its financial resources mainly from cash inflows generated from operating activities. This year, the Group's cash on hand and deposits in banks totalled approximately HK$371,000 (2004: HK$642,000), comprising Hong Kong dollar deposits of approximately HK$55,000 and Renminbi deposits of approximately RMB334,000.

As at 30 June 2005, the Group's bank borrowings were HK$141,509,000 (2004: HK$167,699,000), equivalent to RMB150,000,000. The Renminbi loan bears interest at fixed rates, which are secured by certain of the Group's investment properties with carrying amount of HK$181,192,000.

Contingent Liabilities

As at 30 June 2005, the Group did not have any material contingent liabilities.

Pledge on the Group's Assets

As at 30 June 2005, the Group's bank borrowings were secured by its investment properties with a carrying value of HK$181,192,000.

Employment Remuneration Policy

As at 30 June 2005, the Group had a total of 16 employees in the PRC and Hong Kong. The staff costs for the year amounted to HK$7,794,000 (2004: HK$8,870,000). To maintain competitive remuneration packages, the salary and bonus paid to staff are based on their individual performance.