



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31st December, 2002, the turnover of the Group was approximately HK\$76.3 million, representing a decrease of approximately 5.6% as compared to last year. Decrease in turnover was due to the decrease in the number of visitors to SammyLand.

The gross profit of the Group for the year ended 31st December, 2002 was approximately HK\$47.3 million, representing a decrease of approximately 2.6% as compared to last year. The gross profit margin for the year ended 31st December, 2002 dropped from approximately 65.9% to approximately 62.0%. The drop was mainly due to the increase in the expenses of depreciation and repairs and maintenances.

The profit from operations and profit attributable to shareholders of the Group for the year ended 31st December, 2002 decreased by approximately 31.4% and approximately 44.5% to HK\$28.9 million and HK\$20.4 million, respectively, as compared to last year. The decreases were mainly attributable to the increase in the expenses of depreciation, repairs and maintenances, promotion expenses, salaries and interests on long-term loan during the year.

USE OF PROCEEDS

The net proceeds of the issue of the 108,000,000 new shares for subscription by the Company during the year, after deducting the related expenses to be borne by the Company, are amounted to approximately HK\$24.0 million. The Company applied the net proceeds in the following manner:

- (i) approximately HK\$10.9 million paid for renovation of the interior design of existing mechanical rides and facilities in SammyLand;
- (ii) approximately HK\$9.4 million paid for the acquisition of new facilities in SammyLand;
- (iii) approximately HK\$2.1 million paid for marketing and promotion activities of SammyLand; and
- (iv) the remaining balance of approximately HK\$1.6 million as additional general working capital of the Group.



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OPERATION REVIEW

The Group's principal activity is the operation of a theme park in the PRC under the name of SammyLand.

Admission fee

During the year ended 31st December, 2002, total ticket income from visitors slightly decreased by approximately 7.9% from approximately HK\$76.9 million in last year to approximately HK\$70.8 million. It was mainly attributable to the decrease of ticket income from group visitors.

Sales of food, beverages and souvenirs

During the year ended 31st December, 2002, total sales of food, beverages and souvenirs increased by approximately 40.7% from approximately HK\$2.7 million in last year to approximately HK\$3.8 million. It was mainly attributable to the increase of money spent by the visitors in response of the various promotional campaigns launched by the Group during the year.

Mechanical rides, carnival and redemption games

During the year ended 31st December, 2002, total income from redemption games and additional fees income from mechanical rides and carnival increased by approximately 30.8% from approximately HK\$1.3 million in last year to approximately HK\$1.7 million. Due to the improvement and renovation of such mechanical facilities, carnival and redemption games, the visitors are willing to pay additional fees on the mechanical rides, carnival and redemption games.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2002, the Group had net current assets of HK\$3.1 million (2001: net current liabilities of HK\$17.8 million).

The Group generally finances its operations with internally generated resources and banking facilities provided by its bankers in the PRC. Net proceeds from the initial public offer of the Company's shares will primarily be used to renovate the interior design of existing mechanical rides and attractions, and to acquire new mechanical rides in SammyLand.



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As at 31st December, 2002, the Group's cash and bank balances amounted to HK\$17.6 million (2001: HK\$1.3 million) approximately, 99% of which was denominated in Reminbi and the balance of which was denominated in Hong Kong dollars. As at 31st December, 2002, the Group had interest-bearing loan of approximately HK\$18.7 million (2001: Nil). The loan is unsecured, bearing interest at 12% per annum and is repayable from July 2004 by 48 instalments. The Group's borrowings are made in RMB and HK\$. As at 31st December, 2002, the Group had aggregate secured bank loans of approximately HK\$12.6 million (2001: HK\$32.2 million). Bank loans of approximately HK\$1.5 million are repayable within one year and approximately HK\$11.1 million are repayable in the second year. Of the bank borrowings, all of them bear fixed interest rates ranging from 7.62% to 11.69% per annum.

As at 31st December, 2002, the Group's gearing ratio represented by the bank borrowings and interest-bearing loans bearing to the Group's total assets is 9.8% (2001: 11.3%).

CHARGES ON GROUP ASSETS

As at 31st December, 2002, the Group had aggregate secured bank loans of approximately HK\$12.6 million (2001: HK\$32.2 million) which were secured by a legal charge on certain Group's land and buildings located in the PRC.

CONTINGENT LIABILITIES

As at 31st December, 2002, the Group did not have any material contingent liabilities.

CURRENCY EXPOSURE

As at 31st December, 2002, the Group did not have any outstanding hedging instrument. The Group shall continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

EMPLOYEES

As at 31st December, 2002, the Group employed a total of 497 full-time and part-time staff in Hong Kong and the PRC. The remuneration policies are reviewed on a periodical basis by the management.

The share option scheme of the Company approved by its shareholders on 13th June, 2002 and adopted on the same date is valid and effective for a period of 10 years since the date of adoption. No share options were granted since adoption of the said share option scheme.