

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The turnover of the Group for the six months ended 31st December 2003 increased to approximately HK\$86.1 million compared to approximately HK\$80.5 million for the corresponding period last year, an increase of approximately 7.0%. The increase in turnover was mainly attributable to the increase in ticket income and income from some entertainment facilities.

The gross profit of the Group for the six months ended 31st December 2003 increased to approximately HK\$49.3 million compared to approximately HK\$47.4 million for the corresponding period last year due to increase in the level of turnover. The gross profit margin of the Group for the six months ended 31st December 2003 slightly dropped to approximately 57.2%, compared with approximately 58.9% of the corresponding period last year.

The general and administrative expenses for the six months ended 31st December 2003 decreased by approximately 17.8% to approximately HK\$10.3 million compared to approximately HK\$12.5 million for the corresponding period last year. The decrease was mainly due to effective cost control measures over the general and administrative expenses.

The finance costs for the six months ended 31st December 2003 decreased by approximately 97.3% to approximately HK\$0.1 million compared to approximately HK\$3.8 million for the corresponding period last year. The decrease was mainly attributable to the reduction of a long term loan.

Profit attributable to shareholders for the six months ended 31st December 2003 was recorded at approximately HK\$19.0 million, increased by 29.3% from HK\$14.7 million reported in the corresponding period last year. The growth in profit was attributable to increase in turnover and decrease in operating costs.

Business Review

“Ming Fai Princess” Cruise provides passenger cruise ship services in the South-eastern China, its operation has been the major source of revenue for the Group. During the first half year of 2003, the capacity and turnover of the Group were heavily dragged by the outbreak of Severe Acute Respiratory Syndrome (“SARS”). However, with the battle against SARS under control and the booming economic growth in China persisted, the Group commenced to step up for growth in the second half year of 2003. During the six months ended 31st December 2003, the Group recorded significant growth in terms of both turnover and operating profit when compared to the corresponding period in the previous year, which evidenced the expedient and advisable decision of the Group to extend its arm to cruises business.

Future Plan and Prospect

In view of the persisting strong growth in China economy and the escalating demand of the people for traveling, the Directors believe the passenger cruise ship services still have huge potential and room for development. To capture this business opportunity for further expansion, the Group is carrying out researches on the possibility of exploring new routes. The Directors believe the addition of new routes in line with the existing route between Hainan and Vietnam of the original “Ming Fai Princess” will attract more travelers and generate more revenue to the Group.

In view of the improvement of living standards, the Directors are confident that the cruising industry and its related business have giant growth potential. The Group is committed to expand such business and will tap other business opportunities in China market even further.