

# Management Discussion and Analysis

## 管理層論述及分析

### REVIEW OF OPERATIONS

Throughout 2004, Hong Kong's economy was picked up together with many countries around the world. Despite the increased interest rates in many other countries, local rates remained considerably low. The robust growth in domestic demand ended the prolonged six-year deflationary period. All these factors encouraged consumer confidence and boosted their spending power. Although the Indian Ocean tsunami did have an impact on travellers' sentiment, overall performance of the travel industry was quite promising over the period under review, statistics shows both inbound arrivals and outbound departures upsurged greatly.

Our Group's business was largely benefited from such growth. Turnover and profit before taxation for the year ended 31 December 2004 attained HK\$1,722.2 million and HK\$37.8 million respectively (2003: HK\$1,416.20 million and a loss of HK\$373.0 million respectively). The profit before taxation was made up of profit from operations of HK\$53.8 million (2003: a loss of HK\$145.3 million), finance costs of HK\$53.7 million (2003: HK\$25.0 million), gain on disposal of associates of HK\$37.9 million (2003: a loss of HK\$23.5 million), share of loss of associates of HK\$0.2 million (2003: HK\$114.8 million), impairment loss recognised in respect of interest in an associate of HK\$nil (2003: HK\$31.7 million) and a loss on disposal of discontinued operation of HK\$nil (2003: HK\$32.7 million).

### 業務回顧

二零零四年，香港與世界各國之經濟一同復甦。縱使面對多個國家加息，但本地息率仍然偏低。隨著內需激增，長達六年之通縮期亦告一段落。凡此種種因素加強了消費者之信心，帶動本地消費能力。儘管印度洋之海嘯影響外遊意欲，但回顧期內旅遊業整體表現符合理想，數據顯示出入境人次均大幅飆升。

本集團之業務大大受惠於上述增長，截至二零零四年十二月三十一日止年度錄得營業額及除稅前溢利分別達1,722,200,000港元及37,800,000港元（二零零三年：分別為1,416,200,000港元及虧損373,000,000港元）。除稅前溢利來自經營溢利53,800,000港元（二零零三年：虧損145,300,000港元）、融資成本53,700,000港元（二零零三年：25,000,000港元）、出售聯營公司之收益37,900,000港元（二零零三年：虧損23,500,000港元）、應佔聯營公司虧損200,000港元（二零零三年：114,800,000港元）、於一家聯營公司之權益之已確認減值虧損零港元（二零零三年：31,700,000港元）及出售已終止業務之虧損零港元（二零零三年：32,700,000港元）。

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2004 (2003: nil). However, the Directors are seeking legal advice to carry out a capital reduction scheme in order to cancel the credit amount standing at the share premium account and transfer such an amount to the contributed surplus account of the Company to enable the Company to eliminate its accumulated losses as at 31 December 2004. Only upon the successful implementation of such scheme, the Directors would consider the feasibility of recommending the payment of a dividend.

## Travel and Related Services

During the year, the Hong Kong economy has successfully turned around from SARS that happened in 2003. The number of business and leisure travellers increased sharply for both the outbound and inbound market. Coupled with the Group's policy of maintaining quality service on existing markets, developing and penetration into new markets aggressively, turnover and contribution to profit of this segment for the year reached HK\$1,532.1 million and HK\$49.3 million respectively (2003: HK\$1,291.9 million and a loss of HK\$60.2 million respectively).

## Hotel and Leisure Services

The Group operates the hotel and leisure services through Apex Quality Group Limited ("Apex"), a 67.9% owned subsidiary, holding three "Rosedale" branded hotels in Hong Kong and the PRC, and Luoyang Golden Gulf Hotel in the PRC.

Benefited from the implementation of the Closer Economic Partnership Arrangement, the expansion of PRC Individual Visit Scheme to Hong Kong, the hotel and leisure related businesses in Hong Kong and the PRC have shown a rapid recovery during the year. The turnover and contribution to profit of this segment for the year achieved HK\$191.3 million and HK\$33.7 million respectively. This encouraging result was mainly due to the efforts rendered by the sales teams of our hotel division and the implementation of effective cost control measures on the hotel operations.

董事並不建議派付截至二零零四年十二月三十一日止年度之末期股息(二零零三年:無)。然而,董事現正就進行資本削減計劃尋求法律意見,藉以註銷股份溢價賬之記入款項,並將該筆款項轉入本公司之繳入盈餘賬,使本公司撇銷其於二零零四年十二月三十一日之累計虧損。董事僅可於該計劃成功落實後,方會考慮建議派付股息之可行性。

## 旅遊及相關服務

年內,香港經濟反彈,擺脫了二零零三年非典型肺炎之陰霾,商務及休閒旅客之出入境人數均見大幅增長。本集團一方面致力保持現有市場之優質服務,另一方面積極開拓及進軍新市場,此分類於本年度之營業額及溢利貢獻分別達1,532,100,000港元及49,300,000港元(二零零三年:分別為1,291,900,000港元及虧損60,200,000港元)。

## 酒店及休閒服務

本集團透過旗下持有67.9%權益之附屬公司Apex Quality Group Limited(「Apex」)經營酒店及休閒服務。Apex持有三間位於香港及內地以「珀麗」為品牌之酒店,以及中國洛陽金水灣大酒店。

受惠於落實更緊密經貿關係安排,放寬內地個人遊計劃訪港限制,香港及中國之酒店及相關休閒服務在年內迅速復蘇。此分類於本年度之營業額及溢利貢獻分別為191,300,000港元及33,700,000港元。本集團取得令人鼓舞之業績,主要有賴酒店部門銷售隊伍之努力及酒店推行有效之成本控制措施。

### Associates

At the beginning of the year, the Group has disposed of its entire interest in the associate which operated a hotel in Harbin, the PRC, to a third party. This hotel had incurred huge losses since the Group's acquisition. As a result, the Group did not record any share of results in this former associate during the year ended 31 December 2004 (2003: share of loss of HK\$26.4 million).

The Group disposed of its entire interest in Rosedale Hotel Group Limited in 2003 to an independent third party. As a result, the Group did not share the results of this former associate during the year ended 31 December 2004 (2003: share of loss of HK\$81.7 million).

### Material Acquisitions and Disposals

On 19 December 2003, the Group made an offer (the "Apex Offer") to acquire from the shareholders of Apex all Apex shares not already held by the Group and parties acting in concert with it. The Apex Offer was closed on 9 January 2004 with acceptances of 51,781,361 shares. As a result, the Group controlled 188,448,027 Apex shares, representing approximately 67.9% of the voting rights in Apex upon closing the Apex Offer.

In February 2004, a 50% owned associate of the Group, acquired an interest in a piece of land in Hong Kong for redevelopment. Subsequently, the Group entered into a sale and purchase agreement to dispose of the entire issued share capital of the subsidiary holding the 50% interest in the aforesaid associate. The disposal was completed on 30 June 2004.

During the year, the Group entered into certain agreements with various independent third parties for acquisition of 100% equity interests in certain companies holding land use rights in the PRC for various development projects, with the objective of developing hotel, shopping malls, recreational and other tourists related amenities respectively. The agreements have not yet been completed.

### 聯營公司

年初，本集團悉數出售旗下一家聯營公司之權益予一名第三方，該聯營公司在中國哈爾濱經營一間酒店。該酒店自收歸本集團旗下以來一直錄得巨額虧損。因此，本集團於截至二零零四年十二月三十一日止年度並無應佔該前聯營公司之業績（二零零三年：應佔虧損26,400,000港元）。

二零零三年，本集團向一名獨立第三方悉數出售所持珀麗酒店集團有限公司之全部權益。因此，本集團於截至二零零四年十二月三十一日止年度並無應佔該前聯營公司之業績（二零零三年：應佔虧損81,700,000港元）。

### 重大收購及出售事項

於二零零三年十二月十九日，本集團提出收購建議（「Apex收購建議」），向Apex股東收購本集團及一致行動人士尚未持有之全部Apex股份。Apex收購建議已於二零零四年一月九日結束，接納收購之股份數目為51,781,361股。因此，本集團控制188,448,027股Apex股份，佔Apex收購建議結束後之Apex投票權約67.9%。

於二零零四年二月，本集團擁有50%權益之聯營公司購置了香港一幅土地之權益重新發展。隨後，本集團訂立買賣協議，出售一間附屬公司之全部已發行股本，而該附屬公司持有上述聯營公司之50%權益。出售於二零零四年六月三十日已告完成。

年內，本集團與多名獨立第三方訂立若干協議，收購國內多間擁有土地使用權之公司之100%股本權益，以分別發展酒店、商場、消閒及其他旅遊有關場所之各項發展項目。該等協議尚未完成。

On 20 November 2004, the Group entered into a conditional sale and purchase agreement with an independent third party to acquire an 80% equity interest in Triumph Up Investments Limited (“Triumph”) for a total consideration of approximately HK\$157.5 million. The Group, through Triumph, would, at completion, hold indirectly approximately 34.24% attributable interest in Kingsway Hotel Limited (“Kingsway”) of which its principal asset is Kingsway Hotel. On 17 February 2005, the parties entered into a supplemental agreement to amend the terms of the acquisition that the attributable interest in Kingsway acquired by the Group was increased from approximately 34.24% to 36.26% and the consideration was proportionally adjusted to approximately HK\$166.8 million which has been settled in cash. Completion of the supplemental agreement took place on 17 February 2005.

On 24 December 2004, the Group entered into an agreement with an independent third party to acquire the entire issued share capital of a company which has strategic investments in both the Hong Kong and PRC travel industry for a consideration of HK\$50 million. The agreement was completed during the year.

During the year, the Group entered into an agreement to acquire 51% interest in an enterprise established in the PRC engaging in full scale on-line and off-line hotel booking services. The agreement has not yet been completed.

## Liquidity and Capital Resources

On 13 January 2004, the Company entered into agreements (“CN Agreements”) (as subsequently amended on 17 March 2004 and further amended by the supplemental agreements dated 4 May 2004) with each of China Enterprises Limited (“CEL”) and Hutchison International Limited (“HIL”) for the issue of convertible notes by the Company to each of CEL and HIL or their respective nominee(s) with a principal amount of HK\$155 million and HK\$105 million respectively. Completion of the CN Agreements took place on 14 June 2004. During the year, HIL and CEL have exercised their right to convert in aggregate of HK\$205 million into 10,250 million new shares of the Company.

於二零零四年十一月二十日，本集團與一名獨立第三方訂立有條件買賣協議，收購Triumph Up Investments Limited（「Triumph」）之80%股本權益，總代價約157,500,000港元。完成後，本集團透過Triumph間接持有Kingsway Hotel Limited（「Kingsway」）約34.24%應佔權益，而Kingsway之主要資產乃金域酒店。於二零零五年二月十七日，協議各方訂立補充協議，修訂收購之條款，將本集團收購Kingsway之應佔權益由約34.24%增至36.26%，代價則按比例調整至約166,800,000港元，並以現金支付。補充協議於二零零五年二月十七日完成。

於二零零四年十二月二十四日，本集團與獨立第三方訂立協議，收購一間公司之全部已發行股本，代價為50,000,000港元，該公司在香港及中國旅遊業持有策略性投資。該協議已於年內完成。

年內，本集團訂立一份協議，收購一間於中國成立之企業之51%權益，經營全面網上及電話酒店訂房服務。該協議仍有待完成。

## 流動資金及資本來源

於二零零四年一月十三日，本公司分別與China Enterprises Limited（「CEL」）及Hutchison International Limited（「HIL」）訂立協議（「CN協議」）（隨後於二零零四年三月十七日修訂及於二零零四年五月四日訂立補充協議進一步修訂），內容乃關於本公司分別向CEL及HIL或彼等各自之代名人發行可換股票據，本金額分別為155,000,000港元及105,000,000港元。CN協議已於二零零四年六月十四日完成。年內，HIL及CEL已行使彼等之權力，合共將205,000,000港元兌換為10,250,000,000股本公司新股份。

On 30 November 2004, the Company entered into two placing and subscription agreements with CEL and a placing agent pursuant to which the placing agent agreed to place, on a fully underwritten basis, 6,000 million existing shares held by a nominee of CEL at the price HK\$0.028 per placing share to no less than six places who are independent third parties and CEL would subscribe for 6,000 million new shares at the same price of HK\$0.028 per share. The issue and subscription of 3,660 million and 2,340 million new shares have been completed on 14 December 2004 and 31 January 2005 respectively. The net proceeds of approximately HK\$160.4 million was used principally towards payment of HK\$107.5 million of the consideration for the acquisition of Kingsway and the balance was utilised as general working capital.

On 4 February 2005, the Company entered into a placing and subscription agreement with CEL and a placing agent pursuant to which the placing agent agreed to place, on a best effort basis, up to 6,400 million shares at the price of HK\$0.022 per share. The Company utilised HK\$50 million of the net proceeds of approximately HK\$137 million from the subscription to finance the refurbishment, renovation and upgrading of Kingsway Hotel in Macau, so as to enhance its competitiveness. The remaining HK\$87 million of the proceeds of the subscription were used for investment opportunities related to existing business. The issue and subscription of shares were completed on 18 February 2005.

The Company announced on 4 February 2005 to propose a consolidation that every one hundred shares of HK\$0.01 each in the issued and unissued ordinary share capital of the Company be consolidated into one consolidated share of HK\$1.00 each. The consolidation was approved by the shareholders of the Company in a special general meeting held on 14 March 2005.

於二零零四年十一月三十日，本公司與CEL及配售代理訂立兩份配售及認購協議，據此，配售代理同意按全數包銷方式，向不少於六名獨立第三方之承配人配售CEL之代名人持有之6,000,000,000股現有股份，每股股份配售價0.028港元，而CEL按相同價格每股股份0.028港元，認購6,000,000,000股新股份。發行和認購3,660,000,000股及2,340,000,000股新股份已分別於二零零四年十二月十四日及二零零五年一月三十一日完成。所得款項淨額約160,400,000港元已主要用作支付收購Kingsway之代價107,500,000港元，餘額則撥作一般營運資金。

於二零零五年二月四日，本公司與CEL及配售代理訂立配售及認購協議，據此，配售代理同意盡力按每股0.022港元配售最多6,400,000,000股股份。本公司將所得款項淨額約137,000,000港元中之50,000,000港元，用作裝修、翻新和提升位於澳門之金域酒店，以提高其競爭力。認購之所得款項餘額87,000,000港元，用作與現有業務相關之投資機會。發行和認購股份已於二零零五年二月十八日完成。

本公司於二零零五年二月四日宣布股份合併，建議在本公司已發行及未發行之普通股股本中，將每100股每股面值0.01港元之股份合併為1股每股面值1.00港元之合併股份。本公司股東已於二零零五年三月十四日舉行之股東特別大會上批准股份合併。

At balance sheet date, the Group's total borrowings were approximately HK\$1,150.8 million (2003: HK\$519.9 million) which comprised loans from related companies of HK\$372.9 million (2003: HK\$231.3 million), bank and short term loan repayable within one year of HK\$57.1 million (2003: HK\$28.2 million), bank and other loans repayable after one year of HK\$300.4 million (2003: HK\$6.3 million), obligations under finance leases of HK\$0.4 million (2003: HK\$ nil), promissory note of HK\$365.0 million (2003: HK\$ nil) due in December 2007 and convertible notes of HK\$55 million (2003: HK\$254.1 million) repayable in June 2007. Other than the convertible notes which bear interest at a fixed interest rate of 2% per annum, all other borrowings bear floating interest rates.

The gearing ratio, expressed as a percentage of total borrowings to shareholders' funds, increased from 177.3% as at 31 December 2003 to 181.9% as at 31 December 2004.

### Pledge of Assets

At 31 December 2004, certain assets of the Group at net book value of HK\$662.4 million (2003: HK\$20.2 million) were pledged to banks and financial institutions for credit facilities. The promissory note is secured by the entire issued share capital of, and shareholders' loan to, an indirect subsidiary of the Company, Makerston Limited, and its subsidiaries holding the Rosedale Hotel and Suites ■ Beijing.

### Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2004.

### Foreign Currency Exposure

The majority of the Group's assets and liabilities and business transactions were denominated in Hong Kong dollars, US dollars and Renminbi. As such, the fluctuation of foreign currencies did not have a significant impact on the performance, results and operations of the Group for the reporting period.

於結算日，本集團之借款總額約為1,150,800,000港元（二零零三年：519,900,000港元），其中包括關連公司貸款372,900,000港元（二零零三年：231,300,000港元）、一年內償還之銀行及其他貸款57,100,000港元（二零零三年：28,200,000港元）、一年後償還之銀行及短期貸款300,400,000港元（二零零三年：6,300,000港元）、融資租約之承擔400,000港元（二零零三年：無）、二零零七年十二月到期之承兌票據365,000,000港元（二零零三年：無）及二零零七年六月償還之可換股票據55,000,000港元（二零零三年：254,100,000港元）。除可換股票據按固定利率每年2厘計息外，所有其他借款均按浮動利率計息。

資本負債比率（按借款總額相對股東資金百分比列示）由二零零三年十二月三十一日之177.3%增加至二零零四年十二月三十一日之181.9%。

### 資產抵押

於二零零四年十二月三十一日，本集團已將賬面淨值為662,400,000港元（二零零三年：20,200,000港元）之若干資產抵押予銀行及財務機構作銀行融資額。承兌票據乃由本公司之一家間接附屬公司Makerston Limited及其持有北京珀麗酒店之附屬公司之全部已發行股本及股東貸款抵押。

### 或然負債

於二零零四年十二月三十一日，本集團並無重大或然負債。

### 外幣風險

本集團之大部分資產、負債及業務交易均以港元、美元及人民幣計算。因此，外幣匯率波動對本集團於報告期間之表現、業績及營運並無造成重大影響。

The Group shall continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

### Employees

At 31 December 2004, the Group has 1,934 employees of which 22 employees were stationed overseas and 1,036 employees were stationed in the PRC. Competitive remuneration packages are structured to commensurate with the responsibilities, qualifications, experience and performance of individuals. The Group also provides training programmes, provident fund scheme and medical insurance for its employees. Total staff remuneration incurred for the year ended 31 December 2004 were approximately HK\$128.0 million.

The Group had a share option scheme (the "Scheme"), which was approved and adopted by shareholders of the Company on 3 May 2002, to enable the directors to grant options to employees, executives or officers of the Company or any of its subsidiaries (including executive and non-executive directors of the Company or any of its subsidiaries) and any suppliers, consultants, agents or advisers who will contribute or have contributed to the Company or any of its subsidiaries as incentives and rewards for their contribution to the Company or such subsidiaries. The maximum number of shares in respect of which options may be granted under the Scheme, when aggregated with any shares subject to any other schemes, shall not exceed 10% of the issued share capital of the Company on the date of approval and adoption of the Scheme.

No options have been granted under the Scheme since its adoption.

本集團會繼續謹慎監控其外幣風險及需要，並會於需要時安排對沖融資額。

### 僱員

於二零零四年十二月三十一日，本集團聘用約1,934名僱員，當中22名駐居海外，另外1,036名則在國內工作。本集團為僱員提供與職責、資歷、經驗及個人表現相稱之優越薪酬組合。此外，本集團亦為其僱員提供培訓課程、公積金計劃及醫療保險。截至二零零四年十二月三十一日止年度，員工薪酬總額約為128,000,000港元。

本集團採納一項購股權計劃（「該計劃」），該計劃於二零零二年五月三日獲本公司股東批准及採納，董事藉此可向本公司或其任何附屬公司僱員、主要行政人員或高級人員（包括本公司或其任何附屬公司之執行及非執行董事），以及將會或曾經對本公司或其任何附屬公司作出貢獻之供應商、專業顧問、代理或諮詢人授出購股權，以獎勵及回饋彼等對本公司或該等附屬公司所作之貢獻。根據該計劃可能授出之購股權所涉及之股份，與任何其他計劃所涉及之股份一併計算，數目合共不得超過本公司於批准及採納該計劃日期之已發行股本10%。

自該計劃採納以來並無根據該計劃授出購股權。



## PROSPECTS

Our Group will continue to embark on several initiatives to strengthen the presence and awareness of “Wing On Travel” brand. We are delighted to receive a number of awards during the year under review including Hong Kong Super Brand, Yahoo Sentiment Brand, Hong Kong Quality Agent. Our aim is to make our brand synonymous with the delivery of superior services and values to our customers.

Along with high oil prices and weakened US dollar both continuing to shadow economic growth to certain extent, local economic environment will remain broadly favourable. PRC economy is undergoing certain sectoral de-heating and yet the country's rate of real economic growth will remain strong. Consequently, the Group will continue to explore and develop the hotel and tourists market in the PRC. However, rosy forecasts are conditional on domestic and foreign stability that cannot be taken for granted. Steady emergence of low cost carriers within the region will place pressure on further lowering the tour prices, which will inevitably hedge our gains. Our principal focus for 2005 is to achieve further revenue growth together with the introducing of more new creative products, which will spread through a much wider spectrum of the market share. Our Group is confident that we are well placed to meet the challenges ahead.

Following the policy trend in the PRC, it is likely the limit on foreign holding in a company operating with outbound travel licence be gradually opened up. Our Group thinks it is imperative to lay hands on this lucrative PRC outbound market and is actively negotiating for opportunities to make appropriate investments. We believe that with our expertise and far-reaching global connections, there will be overflowing synergies when our Group in effect established our presence in the PRC outbound market.

## 展望

本集團會繼續採取各項措施，加強「永安旅遊」品牌之地位和知名度。對於在回顧年度榮獲香港超級品牌榮譽大獎、Yahoo感情品牌大獎、香港優質誠信商號殊榮等多個獎項，我們感到欣喜。集團致力打造永安品牌，務求以優質服務及專業水準見稱。

雖然油價高企加上美元疲弱，令經濟增長蒙上一定程度之陰影，但本地經濟環境仍普遍利好。中國經濟現正局部降溫，不過國內依然維持強勁實質經濟增長。因此，本集團將繼續拓展及開發內地酒店和旅遊業市場。然而，前景是否樂觀有賴本地及海外能否維持穩定之環境，而此情況現時卻無法保證。此外，區內廉價航班逐步增加，對旅行團造成進一步減價之壓力，無可避免會影響集團收益。二零零五年，我們將集中爭取收益持續增長，並會引入各類創新產品，在更多市場範疇爭取較大佔有率。我們深信集團已有充份準備，定能應付未來種種挑戰。

縱觀中國之政策發展趨勢，當局應會逐步放寬經營出國旅遊牌照之公司在外資擁有權方面之限制。本集團認為，進軍中國潛力龐大之國外旅遊市場，實屬集團之必然之舉，因此正積極洽談，物色合適之投資良機。本集團相信，憑藉我們之專業知識，加上遍及全球之廣泛聯繫，待本集團日後進軍內地之國外旅遊市場時，勢可發揮強大之協同效益。