

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 October 2000

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed consolidated interim financial statements of the Group are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” except that the comparative amounts of the condensed consolidated cash flow statement have not been prepared as the Company has taken advantage of the transitional provisions set out in the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the “Exchange”). The accounting policies and basis of preparation are the same as those used in the annual financial statements for the year ended 30 April 2000. Figures for the year ended 30 April 2000 are extracted from the Group annual financial statements for that year.

Associate

An associate is a company, not being a subsidiary or a joint venture, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group’s share of the post-acquisition results and reserves of the associate is included in the condensed consolidated profit and loss account and consolidated reserves, respectively. The Group’s interest in an associate is stated in the condensed consolidated balance sheet at the Group’s share of net assets under the equity method of accounting less any provision for diminution in value other than temporary in nature deemed necessary by the directors.

Prior period adjustment

The Group has complied with the revised SSAP 1 and Interpretation 9 “Accounting for Pre-Operating Costs” for the first time in this interim reporting period and changed its accounting policy with respect to the treatment of pre-operating expenses. As a result, the Group now expenses rather than capitalises and amortises such pre-operating expenses.

The change in accounting policy has been made retrospectively, and, accordingly, the comparative amounts for the period ended 31 October 1999, including earnings per share have been restated. The effect of the change with respect to the treatment of pre-operating expenses has resulted in an increase in net profit attributable to shareholders for the six months ended 31 October 1999 of HK\$2,233,000. The retained profits brought forward as at 1 May 1999 have been decreased by HK\$10,811,000.

Comparative amounts

The presentation of the financial statements have been changed due to the adoption of the requirements of SSAP 1 (revised) "Presentation of Financial Statements". As a result, the formats of the profit and loss account and balance sheet have been revised in accordance with the SSAP. Comparative amounts have been reclassified to conform with the current period's presentation.

2. SEGEMENTAL INFORMATION — TURNOVER

The Group's turnover represents proceeds from the provision of services, sales of goods, tickets, food and beverages, provision of port facilities and ticketing services, less sales tax and after trade discounts and returns, during the period.

	For the six months ended	
	31 October	
	2000	1999
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
By activity:		
Hotel business	91,918	60,624
Tourist attraction business	63,138	56,126
Provision of port facilities and ticketing services	13,959	—
	<u>169,015</u>	<u>116,750</u>

The turnover was principally derived from activities conducted in Zhuhai, the PRC.

3. SEGEMENTAL INFORMATION - PROFIT FROM OPERATING ACTIVITIES

	For the six months ended	
	31 October	
	2000	1999
	(Unaudited)	(Unaudited)
		Restated
	<i>HK\$'000</i>	<i>HK\$'000</i>
By activity:		
Hotel business	7,661	4,193
Tourist attraction business	14,337	13,029
Provision of port facilities and ticketing services	6,510	—
Securities trading	2,803	—
Interest income	950	1,335
Operating expenses	(2,719)	(2,186)
	<u>29,542</u>	<u>16,371</u>
By geographical location:		
PRC, excluding Hong Kong	28,508	17,222
Hong Kong	1,034	(851)
	<u>29,542</u>	<u>16,371</u>

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	For the six months ended	
	31 October	
	2000	1999
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	16,601	13,461
Cost of services provided	102,240	65,698
Depreciation	21,205	14,170
Staff costs (including directors' remuneration)	27,068	21,317
Net unrealised holding gains less losses on short term listed equity investments	(2,392)	—
Net realised gains on trading of short term listed equity investments	(411)	—
	<u>166,312</u>	<u>114,646</u>

5. TAX

	For the six months ended	
	31 October	
	2000	1999
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current period provision:		
Hong Kong	—	—
Elsewhere	3,221	2,068
	<u>3,221</u>	<u>2,068</u>
Jointly-controlled entity	1,198	—
	<u>4,419</u>	<u>2,068</u>

No provision for Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the period (1999: Nil).

Deferred tax has not been provided because there were no significant timing differences at 31 October 2000 (1999: Nil).

6. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the following:

	For the six months ended	
	31 October	
	2000	1999
	(Unaudited)	(Unaudited)
		Restated
	HK\$'000	HK\$'000
Earnings		
Net profit attributable to shareholders, used in basic and diluted earnings per share calculations	30,173	13,077
	<u><u>30,173</u></u>	<u><u>13,077</u></u>
Shares		
Weighted average number of shares in issue during the period used in basic earnings per share calculation	799,000,000	444,652,174
	<u><u>799,000,000</u></u>	<u><u>444,652,174</u></u>
Weighted average number of shares assumed issued at no consideration on the deemed exercise of all share options outstanding during the period	N/A	8,307,123
	<u>N/A</u>	<u>8,307,123</u>
Weighted average number of shares used in diluted earnings per share calculation	N/A	452,959,297
	<u><u>N/A</u></u>	<u><u>452,959,297</u></u>

No diluted earnings per share is shown for the period ended 31 October 2000 as the Company does not have any dilutive potential ordinary shares.

7. INTEREST IN AN ASSOCIATE

	As at 31 October 2000 (Unaudited) <i>HK\$'000</i>	As at 30 April 2000 (Audited) <i>HK\$'000</i>
Share of net assets of an associate	<u>1,258</u>	<u>—</u>

The Group's share of loss retained by the associate for the six months ended 31 October 2000 amounted to a net loss of HK\$242,000 (1999: Nil).

The Group's share of the post-acquisition accumulated deficits of the associate as at 31 October 2000 amounted to HK\$242,000 (1999: Nil).

Particulars of the associate are as follows:

Name	Business structure	Place of incorporation and operation	Percentage of ownership interest attributable to the Group	Principal activities
Allways Internet Limited	Corporate	Hong Kong	50	Investment holding

8. SHORT TERM INVESTMENTS

	As at 31 October 2000 (Unaudited) <i>HK\$'000</i>	As at 30 April 2000 (Audited) <i>HK\$'000</i>
Hong Kong listed equity investments, at market value	<u>11,099</u>	<u>12,333</u>

9. ACCOUNTS RECEIVABLE

A defined credit policy is maintained within the Group. The general credit term ranges from 1 month to 18 months depending on the relationship with the Group and the creditworthiness of the customers. The age analysis of trade debtors at 31 October 2000 was as follows:

	As at 31 October 2000 (Unaudited) HK\$'000	As at 30 April 2000 (Unaudited) HK\$'000
0 - 3 months	10,679	11,652
4 - 6 months	2,272	2,571
7 - 12 months	3,545	3,655
12 - 18 months	3,023	5,463
	19,519	23,341

10. DUE FROM RELATED PARTIES

Particulars of amounts due from related parties disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Name	Relationship	As at 31 October 2000 (Unaudited) HK\$'000	Maximum amount outstanding during the period (Unaudited) HK\$'000	As at 1 May 2000 (Audited) HK\$'000
		Macau-Mondial Travel & Tours Ltd.	Fellow subsidiary of the Company	6,653
Zhuhai Special Economic Zone Hotel	Fellow subsidiary of the Company	458	458	458
		7,111		7,076

The amounts due from related parties are unsecured, interest-free and have no fixed terms of repayment.

The amounts due from Macau-Mondial Travel & Tours Ltd. and Zhuhai Special Economic Zone Hotel as at 31 October 2000 represent the outstanding balance arising from the sales of tickets as detailed in note 14 to the condensed consolidated financial statements.

11. CASH AND CASH EQUIVALENTS

	As at 31 October 2000 (Unaudited) HK\$'000	As at 30 April 2000 (Audited) HK\$'000
Cash and bank balances	48,444	98,936
Time deposits	44,223	27,262
	92,667	126,198

12. ACCOUNTS PAYABLE

The age analysis of trade creditors at 31 October 2000 was as follows:

	As at 31 October 2000 (Unaudited) HK\$'000	As at 30 April 2000 (Unaudited) HK\$'000
0 - 3 months	14,563	13,579
4 - 6 months	4,157	7,300
7 - 12 months	5,065	874
1 - 2 years	1,057	200
	24,842	21,953

13. RESERVES

	Share premium	Contributed surplus	Goodwill reserve	Asset revaluation reserve	Statutory reserve funds	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May 2000 (Audited)	359,599	446,355	(192,973)	75,581	26,047	79,110	793,719
Profit for the period (Unaudited)	—	—	—	—	—	30,173	30,173
Transfer to statutory reserve funds (Unaudited)	—	—	—	—	1,611	(1,611)	—
At 31 October 2000 (Unaudited)	<u>359,599</u>	<u>446,355</u>	<u>(192,973)</u>	<u>75,581</u>	<u>27,658</u>	<u>107,672</u>	<u>823,892</u>

14. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the period:

Name	Notes	Nature	For the six months ended	
			2000	1999
			(Unaudited)	(Unaudited)
			HK\$'000	HK\$'000
Macau-Mondial Travel & Tours Ltd.	(i)	Sales of tickets	88	65
Zhuhai Special Economic Zone Hotel	(i)	Sales of tickets	—	93
Zhuhai Holiday Resort Co., Ltd.	(ii)	Rental expenses	4,250	4,250
Zhuhai High-Speed Passenger Ferry Co., Ltd. (“Ferry Company”)	(iii)	Agency cum management fee	8,744	—
Minority Shareholder of Zhuhai Jiuzhou Port Passenger Traffic Service Co., Ltd. (“Minority Shareholder”)	(iv)	Rental expenses	<u>241</u>	<u>—</u>

Notes:

- (i) The transactions with Macau-Mondial Travel & Tours Ltd. and Zhuhai Special Economic Zone Hotel were carried out in accordance with the terms of the respective agreements and the Group's pricing policy, which is the cost-plus method. As at 31 October 2000, the outstanding balances due from Macau-Mondial Travel & Tours Ltd. and Zhuhai Special Economic Zone Hotel were HK\$6,653,000 (30 April 2000: HK\$6,618,000) and HK\$458,000 (30 April 2000: HK\$458,000), respectively. These balances are unsecured, interest-free and have no fixed terms of repayment (see note 10).
- (ii) The rental expense paid to Zhuhai Holiday Resort Co., Ltd., a fellow subsidiary, was calculated by reference to the tenancy agreement.
- (iii) Zhuhai Jiuzhou Port Passenger Traffic Service Co., Ltd. ("Jiuzhou Port Company"), a subsidiary, received agency commission fees and service fees ("Agency cum management fee") for the provision of agency services for the selling of ferry tickets to passengers and management services of the berthing facilities of Jiuzhou Port to the Ferry Company, a jointly-controlled entity. The Agency cum management fee is charged at a rate of 23.5% on the gross proceeds from the sales of ferry tickets.
- (iv) The rental expenses paid to the Minority Shareholder, who is also the major shareholder of the Ferry Company, was calculated by reference to the lease agreement.

As at 31 October 2000, the Group had a balance due from the Minority Shareholder. The balance is unsecured, interest-free and has no fixed terms of repayment. The Minority Shareholder has agreed with the Group that the amount receivable from the Minority Shareholder of HK\$8,120,000 as at 31 October 2000 will be settled by the Minority Shareholder's entitlement to future dividends from the Ferry Company.

15. CONTINGENT LIABILITIES

At the balance sheet date, the Group had no significant contingent liabilities (1999: Nil).

16. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved by the Board of Directors on 22 January 2001.