

## MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION

### BUSINESS REVIEW

For the six months ended 31 October 2001, the Group's unaudited consolidated turnover and net profit attributable to shareholders amounted to approximately HK\$147,469,000 and HK\$23,952,000 respectively, representing a drop of approximately 12.7% and 20.6% as compared with the corresponding period in 2000. Hampered by the general oversupply in the hotel industry of Zhuhai, hotel operators were vying for customers with cut-throat prices, leading to a dramatic deterioration of the results of the Group's hotel business. Attendances at The New Yuanming Palace ("NYMP") and Fantasy Water World also dropped during the period under review due to the rainy weather and the declining appeal of the two attractions. Thanks to the management's effective cost-control measures and owing to the written back of provision for staff benefits due to the enactment of new PRC laws and regulations made during the current period, the tourist attraction business managed to maintain its contribution to the Group's overall profit. As for the passenger transportation business, the number of passenger trips of the ferry services running between Zhuhai and Hong Kong was on a steady rise, and operating costs were lower as a result of the falling oil prices worldwide. Accordingly, there was a 10% growth in profit compared with the same period last year.

#### 1. Hotel Business

During the period under review, Zhuhai Holiday Resort Hotel recorded a further drop in market share in the face of the increasing number of new hotels in Zhuhai. With the supply and demand of hotel rooms falling seriously out of balance, the resort hotel saw a decrease of approximately 9.5% in its average occupancy rate as compared with the corresponding period last year and reduced its room rates slightly in order to remain competitive in the market, directly causing a drop in revenues from the provision of accommodation services, and the related food and drink services as well as amusement facilities. In contrast, revenue from travel agencies business organised by Zhuhai Holiday Resort Hotel Co., Ltd. recorded a substantial increase, offsetting most of the negative performance in the provision of accommodation services and food and drink services. However, profit margin of such travel agencies business was slim and thus the overall profit contributions from the hotel business still registered a substantial decrease as compared with the corresponding period last year.

#### 2. New Yuanming Palace and "Fantasy Water World"

Attendances at The New Yuanming Palace ("NYMP") and Fantasy Water World dropped during the period under review due to the rainy weather and the declining appeal of the two attractions. In response to this, the management adopted flexible operation strategies for the purpose of cost control by contracting out various operations such

as food and drink services, park management and the selling of souvenirs. In addition, the accumulated provision for staff benefits made by The New Yuanming Palace Tourist Co., Ltd. of Zhuhai S.E.Z. in prior years was no longer required now due to the enactment of new PRC laws and regulations and such provision has been written back during the current period. As such, the overall operating profit remained unchanged despite a drop in turnover during the period under review as compared with the corresponding period last year.

### 3. Marine Passenger Transportation Business/Terminal Operation

Regarding the passenger transportation business, the number of passenger trips of the ferry services between Zhuhai and Hong Kong run by Zhuhai High-Speed Passenger Ferry Co., Ltd. ("High-Speed Passenger Ferry Company") recorded a slight increase while that between Zhuhai and Shekou continued to decrease due to competition from the operators of non-stop bus services. Nevertheless, High-Speed Passenger Ferry Company still recorded a growth of over 15% in operating profit during the period under review, which is mainly attributable to the falling oil prices and reduced maintenance overheads due to enhanced technology in vessels management. Meanwhile, the number of passenger trips of the ferry services between Hong Kong and Zhuhai and that of the cruise services around Zhuhai city were also higher as compared with the corresponding period last year, thereby offsetting the drop in passenger flow of the ferry services between Zhuhai and Shekou. As a result, the overall operating profit of Zhuhai Jiuzhou Port Passenger Traffic Service Co., Ltd. remained largely the same as the same period in the previous year.

## PROSPECTS

Looking ahead, the outlook for the hotel industry will remain difficult in the second half of the financial year. In light of this, the management will devise more events and marketing campaigns to attract more visitors. Older recreational facilities will be replaced and new features will be introduced in order to retain the competitiveness of Zhuhai Holiday Resort Hotel. As for NYMP and Fantasy Water World, the drama of "The Qing Dynasty" was already put on stage in the final quarter of 2001 and the construction of "Chinese Herbs Treasure Valley" is expected to be completed in the first half of 2002. It is believed that such efforts would help to generate a steady stream of visitors to the theme parks. Above all, China's WTO membership is poised to give a further boost to business activities between Hong Kong and Zhuhai. With this in mind, the board of directors believes that the passenger transportation business is likely to continue its steady development.

## LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial resources of the Group has not changed materially from the information disclosed in the most recent published annual report.

## NUMBER AND REMUNERATION OF EMPLOYEES

The number and remuneration of employees of the Group has not changed materially from the information disclosed in the most recent published annual report.

## DIRECTORS' RIGHT TO ACQUIRE SHARES

As at 31 October 2001, the directors had the following beneficial interests in share options of the Company recorded in the register required under Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"):—

<b>Name of director</b>	<b>Number of share options</b>	<b>Exercise price</b>	<b>Exercise period</b>
Mr. Cai Guangcheng	2,500,000 *	HK\$0.56	4 December 1998 to 3 December 2008
Mr. Zhuo Rongliang	2,000,000 *	HK\$0.56	4 December 1998 to 3 December 2008
Mr. Ouyang Guoliang	2,000,000	HK\$0.55	10 February 2000 to 9 February 2010
Mr. Liu Tiejun	1,300,000 *	HK\$0.56	4 December 1998 to 3 December 2008
Mr. Chen Jinhui	1,300,000 *	HK\$0.56	4 December 1998 to 3 December 2008

Name of director	Number of share options	Exercise price	Exercise period
Mr. Yu Huaguo	1,300,000	HK\$0.56	4 December 1998 to 3 December 2008
Ms. Liu Jia	1,300,000	HK\$0.56	4 December 1998 to 3 December 2008
Mr. Chen Yonglin	1,300,000	HK\$0.56	4 December 1998 to 3 December 2008
Mr. Liang Han	1,300,000	HK\$0.56	4 December 1998 to 3 December 2008

\* The share options are exercisable within 12 months from the date Messrs. Cai Guangcheng, Zhuo Rongliang, Chen Jinhui and Liu Tiejun resigned as a directors of the Company on 20 June 2001.

No share options were exercised by the directors during the period.

## DIRECTORS' INTEREST IN EQUITY SECURITIES

Save as disclosed above, at 31 October 2001, none of the Company's directors or their associates had any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations, as defined in the SDI Ordinance.

## SUBSTANTIAL SHAREHOLDERS

As at 31 October 2001, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of substantial shareholders that is required to be maintained pursuant to Section 16(1) of the SDI Ordinance :

Name	Note	Number of issued shares held	Percentage of issued shares
Zhuhai Industrial Company Limited	1	236,000,000	29.54
Pioneer Investment Ventures Limited	1	337,000,000	42.18

Note :

1. In accordance with Sections 8(2), 8(3) and 8(4) of the SDI Ordinance, Zhu Kuan (Hong Kong) Company Limited, Zhu Kuan Group Company Limited and Zhu Kuan Company of the Zhuhai SEZ were deemed to be interested in the 236,000,000 and 337,000,000 shares of the Company held by Zhuhai Industrial Company Limited and Pioneer Investment Ventures Limited, respectively, because:
  - Zhu Kuan (Hong Kong) Company Limited is the immediate holding company of Zhuhai Industrial Company Limited;
  - Zhu Kuan Group Company Limited is the immediate holding company of Zhu Kuan (Hong Kong) Company Limited and Pioneer Investment Ventures Limited; and
  - Zhu Kuan Company of the Zhuhai SEZ is the immediate holding company of Zhu Kuan Group Company Limited.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

## **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 October 2001.

## **CODE OF BEST PRACTICE**

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 31 October 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

By Order of the Board

**Ouyang Guoliang**

*Chairman*

Hong Kong, 28 January 2002