

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 October 2002

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting".

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are the same as those used in the audited financial statements for the year ended 30 April 2002.

The following SSAPs issued by the Hong Kong Society of Accountants are effective for the Group's accounting period commencing on 1 May 2002:

| | | |
|-------------------|---|--|
| SSAP 1 (Revised) | : | "Presentation of Financial Statements" |
| SSAP 11 (Revised) | : | "Foreign Currency Translation" |
| SSAP 15 (Revised) | : | "Cash Flow Statements" |
| SSAP 25 (Revised) | : | "Interim Financial Reporting" |
| SSAP 34 | : | "Employee Benefits" |

SSAP 1 (Revised) prescribes the basis of presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the current interim period and the comparative figures have been presented in accordance with this revised SSAP.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. This revised SSAP has had no major impact on the condensed consolidated financial statements.

SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flows during the period into operating, investing and financing activities. The condensed consolidated cash flow statement for the current interim period and the comparative figures have been presented in accordance with this revised SSAP.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation *(Continued)*

SSAP 25 (Revised) prescribes the presentation and disclosures following changes in SSAP 1 (Revised) and SSAP 15 (Revised). The condensed consolidated financial statements for the current interim period and comparative figures have been presented in accordance with this revised SSAP.

SSAP 34 prescribes the accounting treatment and disclosure for employee benefits. This SSAP has had no major impact on the condensed consolidated financial statements.

The adoption of these recently issued and revised SSAPs has had no material effect on the result for the current period or prior financial period.

2. SEGMENT INFORMATION

An analysis of the Group's turnover and results by business segments is as follows:

Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

| | Hotel | | Tourist attraction | | Provision of port facilities and ticketing services | | Corporate and other | | Eliminations | | Consolidated | |
|---|--|---------------|--|---------------|---|---------------|--|----------------|--|----------------|--|----------------|
| | For the six months ended 31 October | | For the six months ended 31 October | | For the six months ended 31 October | | For the six months ended 31 October | | For the six months ended 31 October | | For the six months ended 31 October | |
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Segment revenue: | | | | | | | | | | | | |
| Sales to external customers | 65,570 | 90,384 | 28,984 | 42,412 | 16,637 | 14,673 | - | - | - | - | 111,191 | 147,469 |
| Intersegment sales | - | - | 2,230 | 2,241 | - | - | - | - | (2,230) | (2,241) | - | - |
| Total | <u>65,570</u> | <u>90,384</u> | <u>31,214</u> | <u>44,653</u> | <u>16,637</u> | <u>14,673</u> | <u>-</u> | <u>-</u> | <u>(2,230)</u> | <u>(2,241)</u> | <u>111,191</u> | <u>147,469</u> |
| Segment results | <u>(1,321)</u> | <u>2,025</u> | <u>2,837</u> | <u>13,822</u> | <u>4,652</u> | <u>6,305</u> | <u>(6,041)</u> | <u>(3,346)</u> | <u>-</u> | <u>-</u> | <u>127</u> | <u>18,806</u> |
| Interest income | | | | | | | | | | | 426 | 399 |
| Profit from operating activities | | | | | | | | | | | 553 | 19,205 |
| Finance costs | | | | | | | | | | | (664) | (1,194) |
| Share of profit and loss of: | | | | | | | | | | | | |
| Jointly-controlled entity | - | - | - | - | 8,955 | 9,417 | - | - | - | - | 8,955 | 9,417 |
| Associates | - | - | - | - | - | - | (264) | (120) | - | - | (264) | (120) |
| Profit before tax | | | | | | | | | | | 8,580 | 27,308 |
| Tax | | | | | | | | | | | (3,400) | (2,788) |
| Profit before minority interests | | | | | | | | | | | 5,180 | 24,520 |
| Minority interests | | | | | | | | | | | (372) | (568) |
| Net profit from ordinary activities attributable to shareholders | | | | | | | | | | | <u>4,808</u> | <u>23,952</u> |

For geographical segment, over 90% of the Group's revenue and results are derived from customers based in The People's Republic of China (the "PRC") and accordingly, no analysis of the Group's geographical segments is presented.

3. TURNOVER

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

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 | |
| | 2002 | 2001 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Cost of inventories sold | 9,163 | 12,775 |
| Cost of services provided | 78,387 | 100,679 |
| Amortisation of rights to use port facilities | 271 | 371 |
| Depreciation | 22,326 | 19,548 |
| Provision for non-compliance fine* | 3,290 | – |
| Net unrealised holding losses less gains on short term listed equity investments | 3,235 | 2,480 |
| Net realised gains less losses on trading of short term listed equity investments | (4) | (141) |
| Rental income | (3,394) | (3,015) |
| Interest income | (426) | (399) |
| | <u> </u> | <u> </u> |

* *The amount represents the provision for non-compliance fine due to the failure to comply with the regulations of the State Administration for Foreign Exchange ("SAFE") of the PRC and, pursuant to the regulations, the non-compliance was subject to a fine of approximately HK\$3,290,000. The directors of the Group are of the opinion that after the payment of the relevant fines, the SAFE will not take any further disciplinary action in respect of the aforesaid non-compliance. The provision for non-compliance fine was included in "Other Operating Expenses" on the face of the profit and loss account. Further details concerning the above are set out in the Company's announcement dated 11 December 2002.*

5. TAX

| | For the six months ended | |
|---------------------------|---------------------------------|-------------|
| | 31 October | |
| | 2002 | 2001 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Current period provision: | | |
| Hong Kong | – | – |
| Elsewhere | 1,505 | 1,291 |
| | <hr/> | <hr/> |
| | 1,505 | 1,291 |
| Jointly-controlled entity | 1,895 | 1,497 |
| | <hr/> | <hr/> |
| | 3,400 | 2,788 |
| | <hr/> <hr/> | <hr/> <hr/> |

Hong Kong profits tax has not been provided because the Group did not generate any assessable profits arising in Hong Kong during the period (2001: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Deferred tax has not been provided because there were no significant timing differences at 31 October 2002 (2001: Nil).

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$4,808,000 (2001: HK\$23,952,000) and the weighted average of 799,000,000 (2001: 799,000,000) ordinary shares in issue during the period.

Diluted earnings per share for the periods ended 31 October 2002 and 2001 have not been shown as the share options outstanding had an anti-dilutive effect on the basic earnings per share for these periods.

7. SHORT TERM INVESTMENTS

| | As at 31 October 2002 (Unaudited) HK\$'000 | As at 30 April 2002 (Audited) HK\$'000 |
|--|---|--|
| Hong Kong listed equity investments, at market value | <u>2,648</u> | <u>5,883</u> |

8. TRADE RECEIVABLES

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 aged analysis of trade receivables at 31 October 2002, net of provision, is as follows:

| | As at 31 October 2002 (Unaudited) HK\$'000 | As at 30 April 2002 (Audited) HK\$'000 |
|--------------------|---|--|
| Current - 3 months | 8,775 | 7,775 |
| 4 - 6 months | 6,547 | 4,106 |
| 7 - 12 months | 5,191 | 4,401 |
| over 12 months | <u>885</u> | <u>3,028</u> |
| | <u>21,398</u> | <u>19,310</u> |

9. 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 2002 (Unaudited) HK\$'000 | Maximum amount outstanding during the period (Unaudited) HK\$'000 | As at 1 May 2002 (Audited) HK\$'000 |
|---------------------------------------|-------------------------------------|---|--|--|
| Macau-Mondial Travel & Tours Ltd. | Fellow subsidiary of the Company | 5,398 | 5,398 | 5,398 |
| Zhuhai Special Economic Zone Hotel | Fellow subsidiary of the Company | 458 | 458 | 458 |
| Zhuhai Holiday Resort Co., Ltd. | Fellow subsidiary of the Company | — | 8,000 | 8,000 |
| | | 5,856 | | 13,856 |
| Provisions | | (5,856) | | (5,856) |
| | | — | | 8,000 |

The amounts due from related parties are unsecured, interest-free and have no fixed terms of repayment, except for the amount due from Zhuhai Holiday Resort Co., Ltd., which was fully repaid in August 2002.

10. CASH AND CASH EQUIVALENTS

| | As at 31 October 2002 (Unaudited) HK\$'000 | As at 30 April 2002 (Audited) HK\$'000 |
|------------------------|---|--|
| Cash and bank balances | 96,970 | 69,221 |
| Time deposits | 17,819 | 51,527 |
| | <u>114,789</u> | <u>120,748</u> |

11. TRADE PAYABLES

The age analysis of trade payables at 31 October 2002 is as follows:

| | As at 31 October 2002 (Unaudited) HK\$'000 | As at 30 April 2002 (Audited) HK\$'000 |
|--------------------|---|--|
| Current - 3 months | 10,820 | 6,515 |
| 4 - 6 months | 199 | 3,129 |
| 7 - 12 months | 732 | 761 |
| over 12 months | 1,558 | 1,264 |
| | <u>13,309</u> | <u>11,669</u> |

12. MATERIAL RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the unaudited condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period:

| Name | Notes | Nature | For the six months ended 31 October | |
|--|-------|---------------------------|--|---------------------------------|
| | | | 2002 (Unaudited) HK\$'000 | 2001 (Unaudited) HK\$'000 |
| Zhuhai Holiday Resort Co., Ltd. | (i) | Rental expenses | 4,250 | 4,250 |
| Zhu Kuan (Hong Kong) Company Limited | (i) | Rental expenses | 252 | - |
| Zhuhai High-Speed Passenger Ferry Co., Ltd. ("Ferry Company") | (ii) | Agency cum management fee | 9,001 | 10,130 |
| Minority shareholder of Zhuhai Jiuzhou Port Passenger Traffic Service Co., Ltd. ("Minority Shareholder") | (iii) | Rental expenses | 612 | 241 |
| Zhu Kuan Enterprise (Group) Finance Company Limited of Zhuhai | (iv) | Interest income | - | 36 |

Notes:

- (i) The rental expense paid to Zhuhai Holiday Resort Co., Ltd. and Zhu Kuan (Hong Kong) Company Limited, fellow subsidiaries of the Company, were calculated by reference to the respective tenancy agreements.
- (ii) 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 Zhuhai's 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 sale of ferry tickets.
- (iii) The rental expenses paid to the Minority Shareholder, who is also the major shareholder of the Ferry Company, was calculated by reference to the tenancy agreement.

12. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

Notes: *(Continued)*

- (iv) As at 31 October 2001, Jiuzhou Port Company had a balance of HK\$1,213,000 with Zhu Kuan Enterprise (Group) Finance Company Limited of Zhuhai ("Zhu Kuan Finance"), a fellow subsidiary of the Company. The balance was unsecured, interest-bearing at a rate of 3% per annum and was fully repaid by Zhu Kuan Finance before 30 April 2002.

As at 31 October 2002, 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\$5,704,000 as at 31 October 2002 (30 April 2002: HK\$6,232,000) will be settled by the Minority Shareholder's entitlement to future dividends from the Ferry Company.

13. CONTINGENT LIABILITIES

At the balance sheet date, the Group had no significant contingent liabilities (2001: Nil).

14. COMMITMENTS

At the balance sheet date, the Group had future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

| | As at 31 October 2002 (Unaudited) HK\$'000 | As at 30 April 2002 (Audited) HK\$'000 |
|--|---|--|
| Within one year | 10,238 | 10,490 |
| In the second to fifth year, inclusive | 39,058 | 38,653 |
| After five years | 309,546 | 312,635 |
| | <u>358,842</u> | <u>361,778</u> |

15. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 24 January 2003.