

Interim Report 2003



ZHU KUAN DEVELOPMENT COMPANY LIMITED

珠光發展有限公司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

INDEPENDENT REVIEW REPORT

To the Board of Directors

Zhu Kuan Development Company Limited

(Incorporated in Bermuda with limited liability)

We have been instructed by the Company to review the interim financial report for the six months ended 31 October 2003 set out on pages 1 to 24.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA") and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved and authorised for issue by, the directors. It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKSA. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Uncertainty relating to going concern basis

In arriving at our review conclusion, we have considered the adequacy of the disclosures made in note 1 to the interim financial report concerning the adoption of the going concern basis on which the interim financial report has been prepared. As explained in note 1 to the interim financial report, two shareholders of the Company (the “Controlling Shareholders”), holding indirectly an aggregate equity interest of approximately 71.7% in the Company, are currently the subject of winding-up petitions filed by one of their creditors in the High Court of Hong Kong (the “High Court”). In addition, a shareholder of the Company (the “Registered Shareholder”), which is a wholly-owned subsidiary of one of the Controlling Shareholders and holds approximately 42.2% equity interest in the Company, is also the subject of a voluntary winding-up petition filed by the provisional liquidators of its shareholder in the High Court. Provisional liquidators have been appointed by the High Court to safeguard the assets of the Controlling Shareholders and the Registered Shareholder for the benefit of the creditors in general, pending the High Court’s decision as to whether winding-up orders would be made. The interim financial report has been prepared on a going concern basis, the validity of which depends upon the decision of the bankers and creditors of the Controlling Shareholders or the Registered Shareholder over the future direction of the business and financial operations of the Group, should the winding-up orders be made against the Controlling Shareholders or the Registered Shareholder by the High Court. The interim financial report does not include any adjustments that may be necessary should winding-up orders be granted and decisions be subsequently taken by the bankers and creditors of the Controlling Shareholders or the Registered Shareholder over the future direction of the business and financial operations of the Group, which may affect the Group’s ability to continue to operate as a going concern. Details of the circumstances relating to this uncertainty are described in note 1 to the interim financial report. We consider that appropriate disclosures have been made and our review conclusion is not modified in this respect.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31 October 2003.

Ernst & Young

Certified Public Accountants

Hong Kong

15 January 2004

The Board of Directors of Zhu Kuan Development Company Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries ("the Group") for the six months ended 31 October 2003, together with the comparative figures for the corresponding period in 2002. The results have been reviewed by the Company's auditors, Ernst & Young and the Company's audit committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31 October 2003

	Notes	For the six months ended 31 October	
		2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
TURNOVER	3	93,916	111,191
Cost of sales		(79,693)	(87,550)
Gross profit		14,223	23,641
Other revenue		3,324	4,164
Selling and distribution costs		(1,734)	(2,944)
Administrative expenses		(21,255)	(17,478)
Other operating income/(expenses), net		1,417	(6,830)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	(4,025)	553
Finance costs		(327)	(664)
Share of profit of a jointly-controlled entity		9,040	8,955
Share of loss of associates		(150)	(264)
PROFIT BEFORE TAX		4,538	8,580
Tax	5	(2,328)	(3,400)
PROFIT BEFORE MINORITY INTERESTS		2,210	5,180
Minority interests		(553)	(372)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		1,657	4,808
EARNINGS PER SHARE	6		
Basic		HK0.21 cent	HK0.6 cent
Diluted		HK0.20 cent	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

31 October 2003

	Notes	As at 31 October 2003 (Unaudited) HK\$'000	As at 30 April 2003 (Audited)* HK\$'000 (restated)
NON-CURRENT ASSETS			
Fixed assets		683,375	701,022
Rights to use port facilities		19,714	19,985
Golf club memberships		15,480	15,480
Interest in a jointly-controlled entity		111,850	104,215
Interests in associates		2,007	2,157
Long term investment		584	584
Prepayments and deposits		5,761	5,427
		838,771	848,870
CURRENT ASSETS			
Short term investments	7	5,030	2,420
Inventories		2,431	2,385
Trade receivables	8	20,266	20,664
Prepayments, deposits and other receivables		15,083	17,297
Due from a jointly-controlled entity	9	4,768	8,011
Due from a joint venture partner	9	2,597	2,302
Due from related parties	10	—	—
Due from a minority shareholder of a subsidiary	14	6,896	6,216
Cash and cash equivalents	11	135,515	121,480
		192,586	180,775

* Except for the balances which were adjusted to comply with the requirements of SSAP 12 as stated in note 1 to the interim financial report.

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

31 October 2003

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	Notes	As at 31 October 2003 (Unaudited) HK\$'000	As at 30 April 2003 (Audited)* HK\$'000 (restated)
CURRENT LIABILITIES			
Trade payables	12	11,354	9,944
Accrued liabilities and other payables		32,622	32,718
Construction payables		6,199	6,338
Tax payable		9,759	9,563
Interest-bearing bank borrowings, secured		9,346	11,215
		69,280	69,778
NET CURRENT ASSETS			
		123,306	110,997
TOTAL ASSETS LESS CURRENT LIABILITIES			
		962,077	959,867
NON-CURRENT LIABILITIES			
Deferred tax liabilities	13	15,374	15,374
MINORITY INTERESTS			
		8,151	7,598
		938,552	936,895
CAPITAL AND RESERVES			
Issued capital		79,900	79,900
Reserves		858,652	856,995
		938,552	936,895

* Except for the balances which were adjusted to comply with the requirements of SSAP 12 as stated in note 1 to the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2003

	Issued share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Goodwill reserve HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve funds HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 May 2003:								
As previously reported (Audited)	79,900	359,599	446,355	(192,973)	103,084	48,960	107,432	952,357
Prior period adjustment:								
SSAP 12 — restatement of deferred tax								
— Company and subsidiaries (note 13)	—	—	—	—	(15,374)	—	—	(15,374)
— Jointly-controlled entity	—	—	—	—	(88)	—	—	(88)
As restated (Unaudited)	79,900	359,599	446,355	(192,973)	87,622	48,960	107,432	936,895
Net profit for the period	—	—	—	—	—	—	1,657	1,657
Transfer to statutory reserve funds	—	—	—	—	—	1,512	(1,512)	—
Share of reserve movements in a jointly-controlled entity	—	—	—	—	—	1,174	(1,174)	—
At 31 October 2003 (Unaudited)	79,900	359,599	446,355	(192,973)	87,622	51,646	106,403	938,552

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 31 October 2003

	Issued share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Goodwill reserve HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve funds HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 May 2002:								
As previously reported (Audited)	79,900	359,599	446,355	(192,973)	94,657	42,614	120,183	950,335
Prior period adjustment:								
SSAP 12 — restatement of deferred tax — Company and subsidiaries (note 13)	—	—	—	—	(14,199)	—	—	(14,199)
As restated (Unaudited)	79,900	359,599	446,355	(192,973)	80,458	42,614	120,183	936,136
Net profit for the period	—	—	—	—	—	—	4,808	4,808
Transfer to statutory reserve funds	—	—	—	—	—	774	(774)	—
Share of reserve movements in a jointly-controlled entity	—	—	—	—	—	933	(933)	—
At 31 October 2002 (Unaudited)	79,900	359,599	446,355	(192,973)	80,458	44,321	123,284	940,944

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 31 October 2003

	Issued share capital HK\$'000	premium account HK\$'000	Contributed surplus HK\$'000	Goodwill reserve HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve funds HK\$'000	Retained profits HK\$'000	Total HK\$'000
Retained by:								
Company and subsidiaries	79,900	359,599	446,355	(192,973)	87,121	37,118	88,426	905,546
Jointly-controlled entity	—	—	—	—	501	14,528	19,470	34,499
Associates	—	—	—	—	—	—	(1,493)	(1,493)
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At 31 October 2003 (Unaudited)	79,900	359,599	446,355	(192,973)	87,622	51,646	106,403	938,552

Retained by:								
Company and subsidiaries	79,900	359,599	446,355	(192,973)	80,458	34,895	111,603	919,837
Jointly-controlled entity	—	—	—	—	—	9,426	12,859	22,285
Associates	—	—	—	—	—	—	(1,178)	(1,178)
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At 31 October 2002 (Unaudited)	79,900	359,599	446,355	(192,973)	80,458	44,321	123,284	940,944

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 October 2003

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	For the six months ended 31 October	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM:		
Operating activities	20,808	(3,748)
Investing activities	(9,416)	17,486
Financing activities	(2,008)	(19,903)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	9,384	(6,165)
Cash and cash equivalents at beginning of period	111,741	111,215
CASH AND CASH EQUIVALENTS AT END OF PERIOD	121,125	105,050
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	107,986	96,970
Non-pledged time deposits with original maturity of less than three months when acquired	13,139	8,080
	121,125	105,050

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

31 October 2003

I. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Corporate update and basis of presentation

By an order of the High Court of Hong Kong (the "High Court") dated 14 August 2003, provisional liquidators of Zhu Kuan Group Company Limited ("Zhu Kuan Macau") and Zhu Kuan (Hong Kong) Company Limited ("Zhu Kuan (HK)") were appointed following the filing of winding-up petitions (the "Zhu Kuan Winding-up Petitions") by one of their creditors. Zhu Kuan Macau and Zhu Kuan (HK) together are the controlling shareholders of the Company, holding indirectly an aggregate equity interest of approximately 71.7% in the Company, of which approximately 42.2% are held by Pioneer Investment Ventures Limited ("PIV"), a wholly-owned subsidiary of Zhu Kuan Macau.

By an order of the High Court dated 3 September 2003, provisional liquidators of PIV were appointed following the filing of voluntary winding-up petition (the "PIV Winding-up Petition") by the provisional liquidators of Zhu Kuan Macau on behalf of Zhu Kuan Macau. The appointment of the provisional liquidators of Zhu Kuan Macau, Zhu Kuan (HK) and PIV was for the purpose of safeguarding their assets for the benefit of the creditors in general, pending the High Court's decision as to whether winding-up orders would be made against Zhu Kuan Macau, Zhu Kuan (HK) and PIV.

I. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Corporate update and basis of presentation (Continued)

As at the date of this unaudited condensed consolidated interim financial report, the directors understand that (i) out of the 236 million shares (representing approximately 29.5% equity interest in the Company) beneficially held by Zhu Kuan (HK), 235.2 million shares have been pledged to Bank of China; and (ii) the 337 million shares (representing approximately 42.2% equity interest in the Company) attributable to Zhu Kuan Macau have been pledged to Longway Services Group Limited, a wholly-owned subsidiary of Zhuhai Jiuzhou Port Group Corporation. Zhuhai Jiuzhou Port Group Corporation is the joint venture partner of the Group's jointly-controlled entity, Zhuhai High-Speed Passenger Ferry Co., Ltd. ("Ferry Company"). These pledges were not used as security against any of the Group's borrowings. Furthermore, the Group is not the subject of the Zhu Kuan Winding-up Petitions and the PIV Winding-up Petition.

As at 31 October 2003 and up to the date of this unaudited condensed consolidated interim financial report, the Group has neither given financial assistance (such as loans or guarantees) to Zhu Kuan Macau, Zhu Kuan (HK) or PIV or any of their subsidiaries and associates, nor has the Group received any financial assistance from Zhu Kuan Macau, Zhu Kuan (HK) or PIV or any of their subsidiaries and associates. The major connected transactions made between (a) the Group on the one part and (b) the group of companies comprising Zhu Kuan Macau and Zhu Kuan (HK) and their respective subsidiaries (other than the Group) on the other part are certain lease arrangements under which the Group is the lessee. The subject premises of such lease arrangements are the Group's office and staff quarters in Hong Kong and some of the facilities (including villas, a health centre and recreational facilities) of Zhuhai Holiday Resort Hotel Co., Ltd.. Further details of such transactions are set out in note 14 to the interim financial report.

Further details concerning the above are also set out in the Company's press announcement dated 18 August 2003.

I. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Corporate update and basis of presentation (Continued)

The unaudited condensed consolidated interim financial report of the Group has been prepared on the assumption that the Group will continue to operate as a going concern for the foreseeable future. The directors are uncertain as to the final outcome of the Zhu Kuan Winding-up Petitions and the PIV Winding-up Petition and cannot give assurance that the future business and financial operations of the Group will not be significantly affected by the Zhu Kuan Winding-up Petitions and the PIV Winding-up Petition.

Should the Group be unable to continue as a going concern as a result of the winding-up proceedings against Zhu Kuan Macau, Zhu Kuan (HK) or PIV, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in this unaudited condensed consolidated interim financial report.

Basis of preparation

The unaudited condensed consolidated interim financial report was prepared in accordance with Hong Kong 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 report are the same as those used in the audited financial statements for the year ended 30 April 2003, except that the Group has adopted the revised SSAP 12 "Income taxes" for the first time in this interim financial report.

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward of unused tax losses (deferred tax). The principal impact of the revision of this SSAP on this interim financial report is that deferred tax liabilities have been recognised on the revaluation of the Group's land and buildings. Details of the prior period adjustments arising from the adoption of this SSAP are included in note 13 to the interim financial report.

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 and profit/(loss) 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	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Segment revenue:												
Sales to external customers	57,733	65,570	21,506	28,984	14,677	16,637	—	—	—	—	93,916	111,191
Intersegment sales	—	—	—	2,230	—	—	—	—	—	(2,230)	—	—
Total	57,733	65,570	21,506	31,214	14,677	16,637	—	—	—	(2,230)	93,916	111,191
Segment results	(2,975)	(1,321)	(5,841)	2,837	6,299	4,652	(1,843)	(6,041)	—	—	(4,360)	127
Interest income											335	426
Profit/(loss) from operating activities											(4,025)	553
Finance costs											(327)	(664)
Share of profit and loss of:												
Jointly-controlled entity	—	—	—	—	9,040	8,955	—	—	—	—	9,040	8,955
Associates	—	—	—	—	—	—	(150)	(264)	—	—	(150)	(264)
Profit before tax											4,538	8,580
Tax											(2,328)	(3,400)
Profit before minority interests											2,210	5,180
Minority interests											(553)	(372)
Net profit from ordinary activities attributable to shareholders											1,657	4,808

Over 90% of the Group's revenue, results, assets and liabilities, 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 the provision of port facilities and ticketing services less sales tax and after trade discounts and returns, during the period.

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	For the six months ended	
	31 October	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	8,662	9,163
Cost of services provided	71,031	78,387
Amortisation of rights to use port facilities	271	271
Depreciation	22,258	22,326
Provision for non-compliance fine*	—	3,290
Unrealised losses/(gains) on short term listed equity investments, net	(2,679)	3,235
Realised gains on trading of short term listed equity investments, net	(97)	(4)
Rental income	(2,561)	(3,394)
Interest income	(335)	(426)

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES (Continued)

* The amount represented a provision for a non-compliance fine imposed on Zhuhai Jiuzhou Port Passenger Traffic Service Co., Ltd. ("Jiuzhou Port Company"), a subsidiary of the Company, due to its failure to comply with the regulations of the State Administration for Foreign Exchange (the "SAFE") of the PRC. Pursuant to the regulations, non-compliance was subject to a fine of approximately HK\$3,290,000 which was included in "Other operating expenses" in the face of the consolidated profit and loss account. In addition to the above, Zhuhai High-Speed Passenger Ferry Co., Ltd. ("Ferry Company"), a jointly-controlled entity of the Group, was also subject to a non-compliance fine amounting to HK\$3,748,000. The Group's share of the fine imposed on Ferry Company, of approximately HK\$1,836,000, was reflected in "Share of profit of a jointly-controlled entity" in the face of the consolidated profit and loss account for the six months ended 31 October 2002.

5. TAX

	For the six months ended	
	31 October	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Current period provision:		
Hong Kong	—	—
Elsewhere	923	1,505
Jointly-controlled entity	1,405	1,895
	2,328	3,400

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\$1,657,000 (2002: HK\$4,808,000) and the weighted average of 799,000,000 (2002: 799,000,000) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$1,657,000. The weighted average number of ordinary shares used in the calculation is the 799,000,000 ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 18,401,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period.

Diluted earnings per share amount for the six months ended 31 October 2002 has not been disclosed as the share options outstanding during these six months had an anti-dilutive effect on the basic earnings per share for that period.

7. SHORT TERM INVESTMENTS

	As at 31 October 2003 (Unaudited) HK\$'000	As at 30 April 2003 (Audited) HK\$'000
Hong Kong listed equity investments, at market value	5,030	2,420

8. TRADE RECEIVABLES

A defined credit policy is maintained within the Group. The general credit terms range from one month to three months, except for certain well-established customers with a good repayment history, where the terms are extended to 18 months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management.

8. TRADE RECEIVABLES (Continued)

An aged analysis of the trade receivables as at the balance sheet date, net of provision, is as follows:

	As at 31 October 2003 (Unaudited) HK\$'000	As at 30 April 2003 (Audited) HK\$'000
Current — 3 months	7,440	7,397
4 — 6 months	3,624	4,403
7 — 12 months	3,662	3,909
Over 12 months	5,540	4,955
	20,266	20,664

As at 31 October 2003, the Group had a receivable from the Zhuhai Municipal Government arising from the use of the Group's hotel facilities amounting to approximately HK\$12,420,000 (30 April 2003: HK\$11,059,000). Such balance was included in trade receivables under current assets. The trade receivable with the Zhuhai Municipal Government was unsecured, interest-free, and the credit term granted was as mentioned above.

9. DUE FROM A JOINTLY-CONTROLLED ENTITY AND A JOINT VENTURE PARTNER

The amounts due from a jointly-controlled entity and a joint venture partner are unsecured, interest-free, and have no fixed terms of repayment.

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 2003 (Unaudited) HK\$'000	Maximum amount outstanding during the period (Unaudited) HK\$'000	As at 1 May 2003 (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
		5,856		5,856
Provisions		(5,856)		(5,856)
		—		—

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

11. CASH AND CASH EQUIVALENTS

	As at 31 October 2003 (Unaudited) HK\$'000	As at 30 April 2003 (Audited) HK\$'000
Cash and bank balances	107,986	97,631
Time deposits	27,529	23,849
	135,515	121,480

12. TRADE PAYABLES

An aged analysis of trade payables at 31 October 2003 is as follows:

	As at 31 October 2003 (Unaudited) HK\$'000	As at 30 April 2003 (Audited) HK\$'000
Current — 3 months	7,081	5,783
4 — 6 months	565	1,101
7 — 12 months	1,711	673
Over 12 months	1,997	2,387
	11,354	9,944

13. DEFERRED TAX

The movement in deferred tax liabilities during the period is as follows:

	Revaluation of leasehold land and buildings <i>HK\$'000</i>
At 1 May 2003:	
As previously reported (Audited)	—
Prior period adjustment:	
SSAP 12 — restatement of deferred tax	15,374
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At 1 May 2003 (as restated) and at 31 October 2003 (Unaudited)	15,374
	<hr/> <hr/>
At 1 May 2002:	
As previously reported (Audited)	—
Prior period adjustment:	
SSAP 12 — restatement of deferred tax	14,199
	<hr/>
As restated (Unaudited)	14,199
Deferred tax liabilities arising from revaluation of leasehold land and buildings	1,175
	<hr/>
At 30 April 2003 (as restated) (Unaudited)	15,374
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SSAP 12 (revised) was adopted during the period, as further explained in note 1 to the interim financial report. This change in accounting policy has resulted in an increase in the Group's deferred tax liability as at 31 October 2003 and 30 April 2003 by HK\$15,374,000 and the same amount has been debited to the asset revaluation reserve as at the same dates.

14. MATERIAL RELATED PARTY TRANSACTIONS

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

Name	Notes	Nature	For the six months ended	
			31 October	
			2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Zhuhai Holiday Resort Co., Ltd.	(i)	Rental expenses	4,250	4,250
Zhu Kuan (HK)	(i)	Rental expenses	252	252
Ferry Company	(ii)	Agency cum management fee	8,325	9,001
Minority shareholder of Jiuzhou Port Company ("Minority Shareholder")	(iii)	Rental expenses	1,362	612

Notes:

- (i) The rental expense paid to Zhuhai Holiday Resort Co., Ltd. and Zhu Kuan (HK) were calculated by reference to the respective tenancy agreements.
- (ii) Jiuzhou Port Company 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.

14. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

- (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 respective tenancy agreements.

During the six months period ended 31 October 2003, the Ferry Company paid RMB565,000 (equivalent to approximately HK\$528,000) (2002: HK\$525,000) to the Minority Shareholder for the lease of certain office premises and port facilities. The lease rentals were calculated by reference to the respective tenancy agreements.

As at 31 October 2003, 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\$6,896,000 as at 31 October 2003 (30 April 2003: HK\$6,216,000) 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 (30 April 2003: Nil).

16. 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 2003 (Unaudited) HK\$'000	As at 30 April 2003 (Audited) HK\$'000
Within one year	11,171	10,238
In the second to fifth year, inclusive	39,987	39,058
After five years	299,163	309,546
	350,321	358,842

17. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial report was approved and authorised for issue by the board of directors on 15 January 2004.

MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION

BUSINESS REVIEW

For the six months ended 31 October 2003, the Group's unaudited consolidated turnover and unaudited consolidated net profit attributable to shareholders amount to approximately HK\$93.9 million and HK\$1.7 million respectively, representing a drop of approximately 16% and 65% over the corresponding period of 2002. During the period under review, the PRC, especially in Guangdong province, had an outbreak of atypical pneumonia ("SARS") that lasted for over two months, leading to an unprecedented setback for Zhuhai's tourism industry. The Group's travel business also suffered a significant slide in its results. However, as our enterprises managed to improve their efficiency through integration of resources, coupled with the gradual disappearance of SARS at the end of July 2003, the Group successfully maintained a net profit during the period under review.

I. Hotel Business

In the period under review, the average occupancy rate of member hotels dropped approximately 4% as compared with the corresponding period in last year; and its room rates were slightly reduced in order to remain competitive in the market, directly attributed to the drop in revenues from accommodation services and recreational facilities. The travel agency business operated by Zhuhai Holiday Resort Hotel Co., Ltd. fell off considerably as a result of the SARS outbreak. On the other hand, the catering and sale of food recorded good operation effectiveness as a result of the operation restructuring. As such, the overall performance of the hotel business for the period under review registered a moderate loss.

BUSINESS REVIEW (Continued)

2. The New Yuanming Palace and the Fantasy Water World

In the period under review, the number of visitors of the New Yuanming Palace and the Fantasy Water World amounted to approximately 217,000 and 151,000 respectively, representing a drop of approximately 43% and 5% respectively as compared with the same period last year. Due to the affection of SARS, the number of visitors of the New Yuanming Palace decreased significantly, and the rental from tenants was also reduced for the mutual survival in the difficult time. These have led to a sharp decrease in income. Although the companies adopted a stringent cost-control approach and actively rescheduled the staff's leave in order to lower operating expenses, the drop in operating income was not compensated. As such, the New Yuanming Palace recorded a significant loss in the year under review. The Fantasy Water World did not commence operation until mid-June this year due to the outbreak of SARS. In response to the difficult environment, the management started a night section in July and August to increase income on the one hand, and adopted cost-cutting measures on the other. As a result, the Fantasy Water World successfully generated net profit during the period under review.

3. Marine Passenger Transportation Business

As for the marine passenger transportation business, the number of passenger trips declined remarkably due to the influence of SARS. The number of passenger trips of the ferry services between Zhuhai and Hong Kong, and Zhuhai and Shekou operated by Ferry Company recorded a decrease of approximately 15% as compared with same period last year. During the period under review last year, Ferry Company and Jiuzhou Port Company were penalized after being discovered by the SAFE Guangdong Branch that they did not observe the provisions of foreign exchange control in the PRC. An accumulated provision for the penalty was made and reflected in the results of the same period last year, thus, the overall earnings of the two companies in the period under review still increased slightly as compared with same period last year.

PROSPECTS

After the SARS epidemic, the Group's hotel business has gradually returned to normal, and the room rates and occupancy rate have increased remarkably. The management has planned to maintain its competitive edges by devising more catering activities, exploring more extensively into the conferencing and banquet markets, as well as enhancing the recreational facilities and business establishments. As for the marine passenger transportation business, the ongoing economic growth in the PRC and its lessened policies towards individual visitors are poised to give a further boost to business and tourist activities between Hong Kong and Zhuhai. Accordingly, the Board of Directors believes that the passenger transportation business will maintain steady growth.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers in the PRC. As at 31 October 2003, the Group has available aggregate banking facilities of approximately HK\$9.3 million, all of which have been utilized and were secured by legal charges on certain leasehold land and buildings in the PRC owned by the Group. The Group's cash and bank balances and short term bank deposits as at 31 October 2003 amounted to approximately HK\$136 million. The Group's gearing ratio as at 31 October 2003 was approximately 1% (30 April 2003: 1.2%), basing on the total bank borrowings of approximately HK\$9.3 million (30 April 2003: HK\$11 million) and the shareholders' funds of approximately HK\$939 million (30 April 2003: HK\$937 million).

NUMBER AND REMUNERATION OF EMPLOYEES

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share option scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

On 26 September 2002, a new share option scheme (the "New Scheme") was adopted by the Company to replace the share option scheme which was approved by the shareholders of the Company on 26 May 1998 (the "Old Scheme"). Out of the total 25,000,000 share options outstanding as at 1 May 2002, 17,900,000 and 7,100,000 share options were cancelled and lapsed upon the termination of the Old Scheme and the retirement of directors, respectively. Consequently, there were no share options granted under the Old Scheme which remained outstanding as at 30 April 2003.

The Company adopted the New Scheme for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest ("Invested Entity"). Eligible participants of the New Scheme include the directors and employees of the Company, its subsidiaries or any Invested Entity, suppliers and customers, of the Group or any Invested Entity, any person or entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity. The New Scheme became effective on 26 September 2002 and, unless otherwise terminated or amended, will remain in force for 10 years.

SHARE OPTION SCHEME (Continued)

The maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company may not exceed 10% of the total number of shares in issue from time to time. The total number of shares which may be issued upon exercise of all share options to be granted under the New Scheme and any other share option schemes of the Company may not in aggregate exceed 10% of the total number of shares in issue as at the date of the annual general meeting held on 26 September 2002.

Each grant of the share options to a director, chief executive or substantial shareholder of the Company, or to any of their associates, under the New Scheme must comply with the requirements of Rule 17.04 of the Listing Rules and must be subject to approval by the independent non-executive directors to whom share options have not been granted. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK\$5 million, are subject to prior shareholders' approval in a general meeting.

SHARE OPTION SCHEME (Continued)

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, save that such period may not be more than ten years from the date of the offer of the share options, subject to the provisions for early termination set out in the New Scheme. There is no minimum period for which an option must be held before the exercise of the subscription right attaching thereto, except as otherwise imposed by the board of directors.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) The Stock Exchange of Hong Kong Limited (the "SEHK") closing price of the Company's shares on the date of the offer of the share options; (ii) the average SEHK closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

SHARE OPTION SCHEME (Continued)

The following share options were granted and remained outstanding under the New Scheme during the period:

Name or category of participant	Granted during the year and at 30 April 2003 (Unaudited)	Date of grant of share options*	Exercise period of share options	Exercise price of share options** (Unaudited) HK\$	Price of Company's shares at grant date of options*** (Unaudited) HK\$
Directors					
Mr. Ouyang Guoliang	3,180,000	17 April 2003	17 April 2003 to 16 April 2013	0.25	0.23
Mr. He Weilong	3,180,000	17 April 2003	17 April 2003 to 16 April 2013	0.25	0.23
Mr. Yu Huaguo	2,860,000	17 April 2003	17 April 2003 to 16 April 2013	0.25	0.23
Mr. Liang Xuebing	2,700,000	17 April 2003	17 April 2003 to 16 April 2013	0.25	0.23
Mr. Liang Caijia	2,700,000	17 April 2003	17 April 2003 to 16 April 2013	0.25	0.23
Mr. Chen Yonglin	2,700,000	17 April 2003	17 April 2003 to 16 April 2013	0.25	0.23
Mr. Wu Hanqui	2,700,000	17 April 2003	17 April 2003 to 16 April 2013	0.25	0.23
Mr. Chen Yuanhe	2,700,000	17 April 2003	17 April 2003 to 16 April 2013	0.25	0.23
Mr. Yu Jinyao	2,700,000	17 April 2003	17 April 2003 to 16 April 2013	0.25	0.23
Mr. Jin Tao	2,700,000	17 April 2003	17 April 2003 to 16 April 2013	0.25	0.23
Mr. Liang Han	1,000,000	17 April 2003	17 April 2003 to 16 April 2013	0.25	0.23
Mr. Hui Chiu Chung	1,000,000	17 April 2003	17 April 2003 to 16 April 2013	0.25	0.23
Mr. Chu Yu Lin, David	1,000,000	17 April 2003	17 April 2003 to 16 April 2013	0.25	0.23
	31,120,000				
Other employees	20,210,000	17 April 2003	17 April 2003 to 16 April 2013	0.25	0.23
Others	28,570,000	17 April 2003	17 April 2003 to 16 April 2013	0.25	0.23
	79,900,000				

SHARE OPTION SCHEME (Continued)

- * The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- ** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- *** The price of the Company's shares disclosed as at the date of the grant of the share options is the SEHK's closing price on the trading day of the grant of the share options.

At the balance sheet date, the Company had 79,900,000 share options outstanding under the New Scheme. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 79,900,000 additional ordinary shares of the Company and additional share capital of HK\$7,990,000 and share premium of HK\$11,985,000 (before issue expenses).

DIRECTORS' INTEREST OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 October 2003, the interests or short positions of the directors in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("the Model Code") were as follows:

Long Position in the underlying shares of the Company

Share options are granted to the directors under the New Scheme adopted by the Company on 26 September 2002. Details of such share options outstanding as at 31 October 2003 under the New Scheme are as follows:

DIRECTORS' INTEREST OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (Continued)

Name of director	Number of share options held	Date of grant of share options	Nature of interest	Exercise price of share options
				HK\$
Mr. Ouyang Guoliang	3,180,000	17 April 2003	Personal	0.25
Mr. He Weilong	3,180,000	17 April 2003	Personal	0.25
Mr. Yu Huaguo	2,860,000	17 April 2003	Personal	0.25
Mr. Liang Xuebing	2,700,000	17 April 2003	Personal	0.25
Mr. Liang Caijia	2,700,000	17 April 2003	Personal	0.25
Mr. Chen Yonglin	2,700,000	17 April 2003	Personal	0.25
Mr. Wu Hanqui	2,700,000	17 April 2003	Personal	0.25
Mr. Chen Yuanhe	2,700,000	17 April 2003	Personal	0.25
Mr. Yu Jinyao	2,700,000	17 April 2003	Personal	0.25
Mr. Jin Tao	2,700,000	17 April 2003	Personal	0.25
Mr. Liang Han	1,000,000	17 April 2003	Personal	0.25
Mr. Hui Chiu Chung	1,000,000	17 April 2003	Personal	0.25
Mr. Chu Yu Lin, David	1,000,000	17 April 2003	Personal	0.25

The details of the directors' interest in the underlying shares of the Company were disclosed in the section of "Share Option Scheme". Save as disclosed above, as at 31 October 2003, none of the directors, nor their associates, had any interests or short positions in the shares and underlying shares of the Company or any of its associated corporations, which were required to be recorded in the register as kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 31 October 2003, the following interests of 5% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

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

Note:

- I. In accordance with Part XV of the of the SFO, 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.

The 337 million shares (representing approximately 42.18% equity interest in the Company) held by Pioneer Investment Ventures Limited have been pledged to Longway Services Group Limited, a wholly-owned subsidiary of Zhuhai Jiuzhou Port Group Corporation.

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Save as disclosed above, no person, other than the directors whose interests are set out above, had registered an interest or a short position in the shares and underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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 2003.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the interim financial report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividend (2002: Nil) for the six months ended 31 October 2003.

By Order of the Board

Ouyang Guoliang

Chairman

Hong Kong, 15 January 2004