



romantic





BUSINESS REVIEW

Owing to the change of financial year end date, the results of the Group in the current period only cover the eight months from 1 May 2006 to 31 December 2006 and are therefore are not entirely comparable with the annual results for the year ended 30 April 2006, i.e. from 1 May 2005 to 30 April 2006.

1. Marine passenger transportation business

Our marine passenger transportation business continuously benefited from the opening of individual visits to Hong Kong and Macau and the Ocean Spring Resort opened in early 2006, which attracted many tourists from Mainland China and Hong Kong to visit Zhuhai. The number of passenger trips of the ferry services between Zhuhai and Hong Kong, and Zhuhai and Shekou during the period, operated by Zhuhai High-Speed Passenger Ferry Co., Ltd. ("Ferry Company") was 975,000 and 339,000 respectively, respectively representing 81% and 76% of the passenger traffic of approximately 1,203,000 trips and 447,000 trips for the twelve months ended 30 April 2006. Besides offering a range of group discounts, Ferry Company also worked with large organizations to promote discount packages for individual passengers, thereby securing a steady growth of passenger population. In early November 2006, Ferry Company worked with Hong Kong North West Express Limited to operate the passenger line between Tuen Mun and Jiuzhou Port, bringing the liner-times between Hong Kong and Jiuzhou Port of Zhuhai up to 34 per day.

In port business sector, Zhuhai Jiuzhou Port Passenger Transport Service Co., Ltd. ("Jiuzhou Port Passenger Transport") is mainly engaged in ticket agency and provides port facilities for liner companies to operate the lines between Jiuzhou and Hong Kong and between Jiuzhou and Shekou, Tour Around Macao and Island cruise in Zhuhai. Jiuzhou Port operated by Jiuzhou Port Passenger Transport is the main portal from cities in southwestern Pearl River Delta to Hong Kong and is the largest of its kind in China, recording the highest water transport volume among its Chinese counterparts. During the Period, Jiuzhou Port recorded a passenger traffic of approximately 2,490,000 passenger times. In August 2006, Jiuzhou Port Passenger Transport built the Jiuzhou Port Coach Station to provide an operating model of land-sea joint transportation. This is a breakthrough in land-sea joint transportation at ports in China, giving passengers easier access to various places in the Pearl River Delta.



**BUSINESS REVIEW** *(continued)***2. Hotel Business**

During the Period, the average occupancy rate of our hotel was approximately 62% (last year: 64%), representing a drop of 2%, and its average room rates were remained at the similar level as compared with last year. As during the Period, several new star-rated hotels were put into operation in the peripheral district, the hotel industry was still under intense competition. As a result, the percentage of income from accommodation services of the resort hotel business over the income from hotel business as a whole decreased from 32% in the previous year to 26% in the Period. The travel agency business operated by Zhuhai Holiday Resort Hotel Co., Ltd. accounted for 41% of the income from hotel business in current period, representing an increase over the 33% for the previous year, on the back of significant increase in operating revenue from travel products as a result of strong promotion efforts by the management and enhanced co-operation with travel agencies in Hong Kong and Guangdong Province. However, the travel agency business recorded a slightly lower margin rate as a result of intense competition in that industry. As for catering and sale of food, particularly for large scale catering and sale of moon cakes, the Group has obtained good operation effectiveness. The management worked to enhance its competitive edge by strengthening supervision and energy-saving measures as well as developing stronger brand recognition.

3. The New Yuanming Palace and the Fantasy Water World

During the Period, the number of visitors of the New Yuanming Palace was approximately 500,000, representing 70% of the visitor traffic of approximately 715,000 visits for the twelve months ended 30 April 2006. The average ticket price was slightly lowered, mainly because the New Yuanming Palace modified its operating strategy by reducing the average ticket price in order to enhance its sources of visitors. The management also focused on the strategy to attract corporate, students and seniors tour groups as well as promotion on festival occasions. For example, the New Yuanming Palace successfully held the Third New Yuanming Palace Cup High-platform Manual-powered Flight Competition during Airshow China 2006. These activities aimed at enhancing the brand image of the New Yuanming Palace as well as attracting visitors.

During the Period, the number of visitors of the Fantasy Water World was approximately 274,000, representing 95% of the visitor traffic of approximately 289,000 visits for the twelve months ended 30 April 2006, or a decrease of 5% as compared with last year. The decrease in number of visitors was mainly due to the frequent rainy days and typhoon. However, as a result of the over 7% increase in average ticket price over last year and the substantial increase in the income from food and beverage facilities and other facilities in the park, the turnover recorded an increase of approximately 11% over last year. The frequently updated entertainment facilities and items were favorably received.



BUSINESS REVIEW *(continued)*

4. Others

The Company issued 159,800,000 share options according to the prevailing share option scheme, and the said share options were all exercised during the Period, and accordingly the Company issued 159,800,000 new ordinary shares, raising approximately HK\$47,141,000 proceeds. In addition, from April 2006 to the end of the Period, some investors exercised the unlisted warrants issued by the Company in April 2006, and accordingly the Company issued 140,180,000 new ordinary shares, raising approximately HK\$75,557,000 (for details, see "Capital Structure" hereunder). The said proceeds were not earmarked for any specific purposes during the Period, so the proceeds were maintained principally as bank balances temporarily in order to increase revenue from liquid funds. During the Period, the RMB exchange rate continually maintained an upward trend and the Hong Kong stock market was feverish. These coupled with a more proactive investment strategy adopted by the management of the Company, the return on securities trading investment increased substantially, reaching approximately HK\$15,400,000. Together with approximately HK\$3,100,000 cashed during the Period from investment withdrawn in the past and foreign exchange gain of approximately HK\$6,000,000, the earnings from securities investments and foreign exchange translation gain during the Period reached approximately HK\$24,500,000. Comparing with last year ended 30 April 2006, there was only recorded a foreign exchange gain of approximately HK\$2,500,000.

PROSPECTS

Looking forward to the coming year's development, it is expected that the existing business of the Group will sustain stable growth. To increase the attraction and enhance the reputation of the hotel under the listed Group, its management will further decorate and renovate certain villas district and the exterior of main buildings of the hotel and provide complete accessory facilities to further enhance the image of the hotel. The management has also appointed a world-leading consulting company to work out an overall plan and design for the whole hotel land use plan and reconstruction, which plan is expected to be ready at the end of this year or the beginning of next year. The New Yuanming Palace and the Fantasy Water World will step up in-house operations in the catering and sales sectors to stimulate in-house spending. The management has also engaged a consulting company to work out a general land use plan and/or rebuilding plan for the New Yuanming Palace in an effort to increase its revenue. In the marine passenger transportation sector, Ferry Company will endeavour to develop new lines to increase operating revenue and boost the passenger transportation business between Guangdong, Hong Kong and Macao. In addition, Jiuzhou Port Passenger Transport is planning to implement a computerized ticket-selling system and carry out maintenance and improvement on the passenger terminal, so as to meet the requirements of increasing passenger traffic and increase operating revenue. Considering the sustained economic growth in China and the flourishing tourism in Zhuhai, the Board of Directors believes that marine passenger transportation will maintain its leading position.

Moreover, the Group will continue to explore potential investment opportunities to broaden its profit base, rationalize its internal resources and open up more business efficiently with the objective to bring better returns for its shareholders.

**PROSPECTS** *(continued)*

On 30 June 2006, the Group concluded a letter of intent ("First Letter of Intent") with Zhuhai Guoyuan Investment Co., Ltd. ("Zhuhai Guoyuan"). Under the First Letter of Intent, Zhuhai Guoyuan agreed to give the Group the first right of acquisition refusal of several lots of land now being leased to the Group upon which certain building structures of the hotel business were erected ("Related Property"), and the Group has paid Zhuhai Guoyuan RMB78,000,000 (equivalent to HK\$77,200,000) as refundable deposit. Concerning the First Letter of Intent, the two parties concluded a conditional sale and purchase agreement ("Purchase Agreement") on 29 December 2006.

Under the Purchase Agreement, the Group may purchase the Related Property at the price of RMB90,900,000 (equivalent to HK\$90,000,000), subject to the approval of independent shareholders at the forthcoming extraordinary general meeting and the fulfillment of several conditions under the Purchase Agreement. For more information, please refer to the press announcement dated 26 January 2007.

On 5 July 2006, the Group concluded a letter of intent ("Second Letter of Intent") with State-owned Assets Supervision and Administration Commission of Zhuhai Municipal Government ("SASAC"). Under the Second Letter of Intent, SASAC agreed to give the Group the first right of acquisition of certain equity interests of two Chinese companies operating public transportation, racing track, golf club and property development in Zhuhai, and the Group has paid SASAC RMB72,000,000 (equivalent to HK\$71,300,000) as refundable deposit. Under the Second Letter of Intent, the said deposit will be returned to the Group if no formal legally binding agreement was concluded on or before 4 January 2007 ("Maturity Date"). On 29 December 2006, the Group and SASAC concluded an extension agreement ("Extension Agreement") to extend the Maturity Date of the Second Letter of Intent. Under the Extension Agreement, the two parties agree to extend the Maturity Date to 4 July 2007. The two parties agreed not to negotiate the proposed purchase of one Chinese company (primarily engaged in public transportation), but will negotiate the proposed purchase of the other Chinese company (primarily operating racing track and golf club and property development) under the Second Letter of Intent. Under the Extension Agreement, SASAC undertakes to engage a qualified Chinese valuer to assess the equity of the related Chinese company and take the assessment result as a reference for the two parties to negotiate the price of purchase (if any) of the related Chinese company. The deposit paid under the Second Letter of Intent will be deemed as the deposit for purchasing the aforesaid Chinese company. If no relevant agreement is concluded and no government approval is obtained concerning the proposed purchase on or before 4 July 2007, SASAC will return to the Group the deposit in full together with interest. The related interest will accrue from 5 January 2007 to the date of return of the deposit with reference to the related RMB loan interest rate promulgated by Chinese mainland banks. For more information, please refer to the press announcement dated 4 January 2007.



LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers in the Mainland China (the “PRC”). As at 31 December 2006, the Group has no outstanding banking borrowings (30 April 2006: Nil). The Group’s cash and bank balances and short term bank deposits as at 31 December 2006 amounted to approximately HK\$208.4 million (30 April 2006: HK\$163.7 million), of which approximately HK\$114.2 million (30 April 2006: HK\$129.4 million) were denominated in Renminbi and the remaining were all in Hong Kong Dollars. In addition, the Group held short term investments in financial instruments of approximately HK\$120.5 million as at 31 December 2006 (30 April 2006: HK\$175.3 million) which were all denominated in Renminbi (30 April 2006: HK\$166.3 million). The short term financial instruments comprised mainly investment in very low risk debt instruments with a view to enhance the Group’s return on the surplus working capital. Since the Group has no outstanding banking borrowings as at 31 December 2006 and 30 April 2006 respectively, and based on the total bank borrowings in relation to shareholders’ fund, the Group’s gearing ratio as at 31 December 2006 and 30 April 2006 respectively was zero.

NUMBER AND REMUNERATION OF EMPLOYEES

At the year end, the Group had approximately 1,495 employees. Remuneration of employees is determined and reviewed annually with reference to the market standard, individual performance and working experience, and certain staff is entitled to commission and share options. In addition to the basic salaries, the Group also provides, depending on the results of the Group and individual performance, staff benefits including discretionary bonus, contributory provident fund or mandatory provident fund, and professional tuition/training subsidies in order to retain quality employees.

CONTINGENT LIABILITIES

As at 31 December 2006, the Group had no significant contingent liabilities.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2006, the Group had no future plans for material investments or capital assets, saved for those disclosed under the heading “Management Discussion and Analysis — Prospects”.

FOREIGN EXCHANGE EXPOSURE

Most of the businesses of the Group are operated in the Mainland China, and the principal revenues and costs were denominated in Renminbi or Hong Kong Dollars. Therefore, the management believes that there is no need for the Group to make use of financial instruments for hedging purposes.

As the assets and liabilities of the Group are mostly in Renminbi, the management considers that no significant exposure to foreign exchange exists.



CAPITAL STRUCTURE

On 4 April 2006, the Company placed 159,800,000 warrants of HK0.55 cent each to certain independent institutional or private investors. Each warrant carries the right to subscribe for one ordinary share of HK\$0.10 each in the Company at a subscription price of HK\$0.55 per share from the date of issue to 3 April 2007.

The net proceeds of approximately HK\$85.6 million, upon full exercise of the subscription rights attaching to the 159,800,000 warrants, will be utilized by the Group for overhaul and medium repair and maintenance and overall planning of the tourist attractions and hotel facilities of the Group.

During the period from 4 April 2006 to 31 December 2006, 140,180,000 shares of HK\$0.10 each were issued pursuant to the exercise of the Company's warrants for a total cash consideration, before issue expenses, of approximately HK\$77,099,000. The net proceeds arising therefrom of approximately HK\$75,557,000 were placed as cash at bank and short-term deposits temporarily. Out of the 140,180,000 warrants being exercised, 43,178,000 warrants were exercised prior to 1 May 2006.

As at 1 May 2006, the Company had 159,800,000 share options outstanding under the existing share option scheme.

During the Period, all share options were exercised for a total cash consideration of approximately HK\$47,141,000 (before issue expenses), and resulting in an issuance of 159,800,000 additional ordinary shares of HK\$0.10 each of the Company.

As at 31 December 2006, the number of issued ordinary shares was 1,098,980,000 shares in aggregate and the shareholders' equity of the Group was approximately HK\$1,100 million.

MATERIAL INVESTMENTS HELD, SIGNIFICANT ACQUISITIONS AND DISPOSALS

During the Period, there was no material acquisition or disposal of investment, subsidiary or associated company, saved for those disclosed under the heading "Management Discussion and Analysis — Prospects".