



九洲發展有限公司  
JIUZHOU DEVELOPMENT COMPANY LIMITED  
(Formerly Known as Zhu Kuan Development Company Limited)  
*(Incorporated in Bermuda with limited liability)*



## INDEPENDENT REVIEW REPORT

To the Board of Directors  
**Jiuzhou Development Company Limited**  
(Formerly 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 2004 as set out on pages 4 to 19.

### **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 Institute of Certified Public Accountants ("HKICPA") 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 HKICPA. A review principally consists 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 the 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, a shareholder of the Company (the "Major Shareholder"), holding indirectly an equity interest of approximately 42.2% in the Company, is currently the subject of a winding-up petition filed with 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 the Major Shareholder and directly holds the 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 and the Court of the British Virgin Islands (the "BVI Court"). Provisional liquidators have been appointed by the High Court and/or the BVI Court to safeguard the assets of the Major Shareholder and the Registered Shareholder for the benefit of the creditors in general. During the period, a winding-up order was granted by the Court of First Instance of the Macau Special Administrative Region (the "Macau Court") against the Major Shareholder. A liquidator has been or will be appointed by the Macau Court, and has taken over or will take over the management of the Major Shareholder.

Notwithstanding the above, the 337 million shares (the "Pledged Shares") held by the Registered Shareholder have been charged in previous years in favour of a wholly-owned subsidiary of the joint venture partner (the "JV Partner") of the Group's jointly-controlled entity (the "Chargee"), and a dispute has arisen between the Chargee and the provisional liquidators over the proposed transfer of such shares by the Chargee. Subsequent to the balance sheet date, the JV Partner became a substantial shareholder of the Company, holding approximately 29.4% equity interest in the Company.

Any changes in the registered holders of the Pledged Shares may result in a change in the composition of the board of directors of the Company.

**Uncertainty relating to the going concern basis (*Continued*)**

The interim financial report has been prepared on a going concern basis, the validity of which depends upon the decision of the bankers, creditors, liquidators and provisional liquidators of the Major Shareholder and/or the Registered Shareholder over the future direction of the business and financial operations of the Group as a result of the various winding-up petitions and/or any subsequent changes in the registered holders of the Pledged Shares. The interim financial report does not include any adjustments that may be necessary should decisions be subsequently taken by the bankers, creditors, liquidators and provisional liquidators of the Major Shareholder and/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 2004.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

27 January 2005

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31 October 2004

		For the six months ended 31 October	
		2004	2003
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
TURNOVER	3	114,196	93,916
Cost of sales		(88,765)	(79,693)
Gross profit		25,431	14,223
Other revenue		5,325	3,324
Selling and distribution costs		(3,058)	(1,734)
Administrative expenses		(21,210)	(21,255)
Other operating income/(expenses), net		(45)	1,417
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	6,443	(4,025)
Finance costs		—	(327)
Share of profit of a jointly-controlled entity		9,467	9,040
Share of loss of associates		(74)	(150)
PROFIT BEFORE TAX		15,836	4,538
Tax	5	(2,971)	(2,328)
PROFIT BEFORE MINORITY INTERESTS		12,865	2,210
Minority interests		(791)	(553)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		12,074	1,657
EARNINGS PER SHARE	6		
Basic		HK1.51 cent	HK0.21 cent
Diluted		HK1.47 cent	HK0.20 cent

**CONDENSED CONSOLIDATED BALANCE SHEET**

31 October 2004

		As at 31 October 2004 (Unaudited) HK\$'000	As at 30 April 2004 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Fixed assets		659,552	676,624
Rights to use port facilities		19,172	19,442
Golf club memberships		13,760	13,760
Interest in a jointly-controlled entity		121,326	113,392
Interests in associates		1,885	1,959
Long term investments	7	7,963	584
Prepayments and deposits		4,957	6,355
		<b>828,615</b>	<b>832,116</b>
<b>CURRENT ASSETS</b>			
Short term investments	7	750	3,698
Inventories		2,448	2,400
Trade receivables	8	25,766	22,240
Prepayments, deposits and other receivables		11,498	19,491
Due from a jointly-controlled entity	9	4,037	3,681
Due from a joint venture partner	9	3,369	3,296
Due from related parties	10	—	—
Due from a minority shareholder of a subsidiary	13	7,238	5,988
Cash and cash equivalents	11	166,228	146,069
		<b>221,334</b>	<b>206,863</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	12	11,285	8,674
Accrued liabilities and other payables		44,396	39,195
Construction payables		4,736	5,061
Tax payable		9,729	9,765
Interest-bearing bank borrowings, secured		—	9,346
		<b>70,146</b>	<b>72,041</b>

**CONDENSED CONSOLIDATED BALANCE SHEET (Continued)**

31 October 2004

	As at 31 October 2004 (Unaudited) <i>Notes</i> <i>HK\$'000</i>	As at 30 April 2004 (Audited) <i>HK\$'000</i>
NET CURRENT ASSETS	151,188	134,822
TOTAL ASSETS LESS CURRENT LIABILITIES	979,803	966,938
NON-CURRENT LIABILITIES		
Deferred tax liabilities	17,242	17,242
MINORITY INTERESTS	9,455	8,664
	<b>953,106</b>	<b>941,032</b>
CAPITAL AND RESERVES		
Issued capital	79,900	79,900
Reserves	873,206	861,132
	<b>953,106</b>	<b>941,032</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2004

	Reserves								
	Issued share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Goodwill reserve (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Statutory reserve funds (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Sub-total (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 May 2004:	79,900	359,599	446,355	(200,573)	98,439	55,151	102,161	861,132	941,032
Net profit for the period	—	—	—	—	—	—	12,074	12,074	12,074
Transfer to statutory reserve Funds	—	—	—	—	—	1,071	(1,071)	—	—
Share of reserve movements in a jointly-controlled entity	—	—	—	—	—	1,235	(1,235)	—	—
At 31 October 2004	79,900	359,599	446,355	(200,573)	98,439	57,457	111,929	873,206	953,106
At 1 May 2003:	79,900	359,599	446,355	(192,973)	87,622	48,960	107,432	856,995	936,895
Net profit for the period	—	—	—	—	—	—	1,657	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	79,900	359,599	446,355	(192,973)	87,622	51,646	106,403	858,652	938,552
Retained by:									
Company and subsidiaries	79,900	359,599	446,355	(200,573)	97,705	38,773	81,387	823,246	903,146
Jointly-controlled entity	—	—	—	—	734	18,684	32,157	51,575	51,575
Associates	—	—	—	—	—	—	(1,615)	(1,615)	(1,615)
At 31 October 2004	79,900	359,599	446,355	(200,573)	98,439	57,457	111,929	873,206	953,106
Retained by:									
Company and subsidiaries	79,900	359,599	446,355	(192,973)	87,121	37,118	88,426	825,646	905,546
Jointly-controlled entity	—	—	—	—	501	14,528	19,470	34,499	34,499
Associates	—	—	—	—	—	—	(1,493)	(1,493)	(1,493)
At 31 October 2003	79,900	359,599	446,355	(192,973)	87,622	51,646	106,403	858,652	938,552



**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 31 October 2004*

	For the six months ended 31 October	
	2004 (Unaudited) <i>HK\$'000</i>	2003 (Unaudited) <i>HK\$'000</i>
NET CASH INFLOW/(OUTFLOW) FROM:		
Operating activities	35,332	20,808
Investing activities	(6,226)	(9,416)
Financing activities	(9,346)	(2,008)
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,760	9,384
Cash and cash equivalents at beginning of period	122,313	111,741
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>142,073</b>	<b>121,125</b>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	140,180	107,986
Non-pledged time deposits with original maturity within three months when acquired	1,893	13,139
	<b>142,073</b>	<b>121,125</b>

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT***31 October 2004***1. 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 by one of their creditors. Zhu Kuan Macau and Zhu Kuan (HK) together were, up to the balance sheet date, the controlling shareholders of the Company.

Approximately 42.2% equity interest in the Company are held by Pioneer Investment Ventures Limited ("PIV"), a wholly-owned subsidiary of Zhu Kuan Macau incorporated in the British Virgin Islands. By an order of the High Court and the Court of the British Virgin Islands, provisional liquidators of PIV were appointed following the filing of a voluntary winding-up petition by the provisional liquidators of Zhu Kuan Macau on behalf of Zhu Kuan Macau.

During the period, a winding-up order was granted by the Court of First Instance of the Macau Special Administrative Region (the "Macau court") against Zhu Kuan Macau. A liquidator has been or will be appointed by the Macau Court, and has taken over or will take over the management of Zhu Kuan Macau. A winding-up order was also granted by the High Court against Zhu Kuan (HK). A liquidator has been or will be appointed by the High Court, and has taken over or will take over the management of Zhu Kuan (HK).

The directors understand that at the balance sheet date, 235.2 million shares (representing approximately 29.4% equity interest in the Company) beneficially held by Zhu Kuan (HK) were pledged to Bank of China (Hong Kong) Limited. Subsequent to the balance sheet date, in enforcing its security, Bank of China (Hong Kong) Limited has granted an option to Zhuhai Jiuzhou Port Group Corporation to purchase and Zhuhai Jiuzhou Port Group Corporation has granted an option to Bank of China (Hong Kong) Limited to sell the charged shares (the "BOC Charged Shares"). 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"). The completion of the sale and purchase of the BOC Charged Shares took place on 8 December 2004. The existing board of directors of the Company includes four directors who are also directors/senior management members of Zhuhai Jiuzhou Port Group Corporation. The directors do not expect any changes in the composition of the board of directors as a result of the above shares transfer.

## 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Corporate update and basis of presentation (Continued)*

In addition, the 337 million shares (the "PIV Charged Shares") (representing approximately 42.2% equity interest in the Company) attributable to PIV have been pledged to Longway Services Group Limited ("Longway"), a wholly-owned subsidiary of Zhuhai Jiuzhou Port Group Corporation. Steps have been taken by Longway to perfect its security conferred by the share charge by a transfer of the PIV Charged Shares to Longway. The provisional liquidators however consider that due to the petitions, the transfer of PIV Charged Shares cannot be effected. The dispute between Longway and the provisional liquidators over the transfer of the PIV Charged Shares has, at the date of these interim financial statements, yet to be resolved. The directors consider that any changes in the registered holders of the PIV Charged Shares may result in a change in the composition of the board of directors of the Company.

The above pledges were not used as security against any of the Group's borrowings. Furthermore, the Group is not the subject of any of the winding-up petitions/orders mentioned above.

As at 31 October 2004 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 its 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 certain of the Group's 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 13 to the interim financial report.

Further details concerning the above are also set out in the Company's press announcement dated 18 August 2003, 3 September 2003, 9 September 2003, 9 June 2004, 6 October 2004 and 8 December 2004.

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. Save as disclosed above, the directors have no knowledge as to the latest developments and are uncertain as to the final outcome of the various winding-up petitions/orders mentioned above. Accordingly, they cannot give assurance that the future business and financial operations of the Group will not be significantly affected by such winding-up petitions/orders.

1. **BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**  
*(Continued)*

*Corporate update and basis of presentation (Continued)*

Should the Group be unable to continue as a going concern as a result of the winding-up petitions/orders and/or any subsequent changes in the registered holders of the PIV Charged Shares, 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 such 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 2004.

## 2. SEGMENT INFORMATION

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

	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	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		
Segment revenue:												
Sales to external customers	65,390	57,733	29,402	21,506	18,963	14,677	441	—	—	—	114,196	93,916
Intersegment sales	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>65,390</b>	<b>57,733</b>	<b>29,402</b>	<b>21,506</b>	<b>18,963</b>	<b>14,677</b>	<b>441</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>114,196</b>	<b>93,916</b>
Segment results	57	(2,975)	1,487	(5,841)	8,754	6,299	(4,465)	(1,843)	—	—	5,833	(4,360)
Interest income											610	335
Profit/(loss) from operating activities											6,443	(4,025)
Finance costs											—	(327)
Share of profit and loss of:												
Jointly-controlled entity	—	—	—	—	9,467	9,040	—	—	—	—	9,467	9,040
Associates	—	—	—	—	—	—	(74)	(150)	—	—	(74)	(150)
Profit before tax											15,836	4,538
Tax											(2,971)	(2,328)
Profit before minority interests											12,865	2,210
Minority interests											(791)	(553)
Net profit from ordinary activities attributable to shareholders											12,074	1,657

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 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	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Cost of inventories sold	10,756	8,662
Cost of services provided	78,009	71,031
Amortisation of rights to use port facilities	270	271
Depreciation	23,107	22,258
Unrealised gains on short term listed equity investments, net	(55)	(2,679)
Realised losses/(gains) on trading of short term listed equity investments, net	75	(97)
Rental income	(3,914)	(2,561)
Interest income	(610)	(335)

**5. TAX**

	For the six months ended 31 October	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Current period provision:		
Hong Kong	—	—
Elsewhere	1,438	923
Jointly-controlled entity	1,533	1,405
	2,971	2,328

**5. TAX (Continued)**

Hong Kong profits tax has not been provided because the Group did not generate any assessable profits arising in Hong Kong during the period (2003: 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 and interpretations and practices in respect thereof.

**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\$12,074,000 (2003: HK\$1,657,000) and the weighted average of 799,000,000 (2003: 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\$12,074,000 (2003: HK\$1,657,000). The weighted average number of ordinary shares used in the calculation is the 799,000,000 (2003: 799,000,000) ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 24,430,362 (2003: 24,041,499) ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all share options outstanding during the period.

**7. INVESTMENTS**

	As at 31 October 2004 (Unaudited) HK\$'000	As at 30 April 2004 (Audited) HK\$'000
Long term investments:		
Hong Kong listed equity investment, at cost	7,379	—
Non-trading unlisted equity investment, at cost	584	584
	<b>7,963</b>	<b>584</b>
Short term investments:		
Hong Kong listed equity investments, at market value	750	3,698

**7. INVESTMENTS (Continued)**

In August 2004, the Company acquired a total of approximately 178 million shares, representing approximately 6% equity interest in Dynamic Global Holdings Limited ("Dynamic Global"), a company listed on The Stock Exchange of Hong Kong Limited, for consideration of approximately HK\$7.4 million in aggregate. According to the announcement made by Dynamic Global on 18 August 2004, the Chairman and Chief Executive Officer of Dynamic Global had been arrested and detained in Zhuhai, the PRC. Accordingly, the trading in shares of Dynamic Global was suspended on 19 August 2004 at the request of Dynamic Global pending further announcement to clarify the incident. Subsequently, on 10 September, Dynamic Global announced certain changes in its board of directors, including the position of Chairman and Chief Executive Officer. Trading in Dynamic Global's shares has not yet resumed. The directors consider that no impairment provision against the investment is required up to the balance sheet date.

**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.

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

	As at 31 October 2004 (Unaudited) HK\$'000	As at 30 April 2004 (Audited) HK\$'000
Current — 3 months	14,155	10,063
4 — 6 months	3,056	2,740
7 — 12 months	5,293	6,305
Over 12 months	3,262	3,132
	<b>25,766</b>	<b>22,240</b>

As at 31 October 2004, the Group had a receivable balance due from the Zhuhai Municipal Government arising from the use of the Group's hotel facilities amounting to approximately HK\$13,030,000 (30 April 2004: HK\$13,008,000). 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 are as follows:

Name	Relationship	Maximum amount		
		As at 31 October 2004 (Unaudited) HK\$'000	outstanding during the period (Unaudited) HK\$'000	As at 1 May 2004 (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 2004 (Unaudited) HK\$'000	As at 30 April 2004 (Audited) HK\$'000
Cash and bank balances	140,180	97,065
Time deposits	26,048	49,004
	166,228	146,069

**12. TRADE PAYABLES**

An aged analysis of trade payables at 31 October 2004 is as follows:

	As at 31 October 2004 (Unaudited) <i>HK\$'000</i>	As at 30 April 2004 (Audited) <i>HK\$'000</i>
Current — 3 months	7,858	5,154
4 — 6 months	796	734
7 — 12 months	819	371
Over 12 months	1,812	2,415
	<b>11,285</b>	<b>8,674</b>

**13. 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	
			2004 (Unaudited) <i>HK\$'000</i>	2003 (Unaudited) <i>HK\$'000</i>
Zhuhai Holiday Resort Co., Ltd.	<i>(i)</i>	Rental expenses	4,250	4,250
Zhu Kuan (HK)		Rental expenses	—	252
Ferry Company	<i>(ii)</i>	Port service fees	10,181	8,325
Minority shareholder of Jiuzhou Port Company ("Minority Shareholder")	<i>(iii)</i>	Rental expenses	1,626	1,362

**13. MATERIAL RELATED PARTY TRANSACTIONS (Continued)***Notes:*

- (i) The rental expenses paid to Zhuhai Holiday Resort Co., Ltd. were calculated by reference to the tenancy agreement.
- (ii) Jiuzhou Port Company, a subsidiary, received agency commission fees and service fees ("Port service 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 Ferry Company, a jointly-controlled entity. The Port service 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 respective tenancy agreements.

During the six months ended 31 October 2004, the Ferry Company paid RMB555,000 (equivalent to approximately HK\$519,000) (2003: HK\$528,000) 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 2004, 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\$7,238,000 as at 31 October 2004 (30 April 2004: HK\$5,988,000), will be settled by the Minority Shareholder's entitlement to future dividends from the Ferry Company.

**14. CONTINGENT LIABILITIES**

At the balance sheet date, the Group had no significant contingent liabilities (30 April 2004: Nil).

**15. OPERATING LEASE ARRANGEMENTS**

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 2004 (Unaudited) <i>HK\$'000</i>	As at 30 April 2004 (Audited) <i>HK\$'000</i>
Within one year	12,599	11,811
In the second to fifth year, inclusive	40,914	41,623
After five years	290,181	294,672
	<b>343,694</b>	<b>348,106</b>

**16. COMMITMENTS**

In addition to the operating lease commitments detailed in note 15 above, the Group had the following commitments at the balance sheet date:

	As at 31 October 2004 (Unaudited) <i>HK\$'000</i>	As at 30 April 2004 (Audited) <i>HK\$'000</i>
Capital commitments contracted for:		
Acquisition of fixed assets	471	934
Capital injection into a subsidiary	—	2,350
	<b>471</b>	<b>3,284</b>

**17. POST BALANCE SHEET EVENTS**

Subsequent to the balance sheet date, with effect from 8 November 2004, the name of the Company was changed from Zhu Kuan Development Company Limited to Jiuzhou Development Company Limited.

**18. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS**

The condensed consolidated interim financial report was approved and authorised for issue by the board of directors on 27 January 2005.

## MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION

### Business Review

For the six months ended 31 October 2004, the Group's unaudited consolidated turnover and unaudited consolidated net profit attributable to shareholders amounted to approximately HK\$114 million and HK\$12 million respectively, representing an increase of approximately 22% and 628% over the corresponding period of 2003. Since the PRC, especially Guangdong Province, had an outbreak of Atypical Pneumonia ("SARS") that lasted for over two months in the corresponding period last year, Zhuhai's tourism industry suffered an unprecedented setback, and the Group's travel business also suffered a significant slide in its results. However, during the period under review, SARS did not occur and the travel markets in Hong Kong and the PRC recovered gradually, coupled with the significant impact arising from the opening of individual visits for mainland residents, the Group recorded considerable growth in tourism and marine passenger transportation business during the period under review.

#### 1. *Hotel Business*

During the period under review, the average occupancy rate of our hotel was 63%, representing an increase of approximately 1% as compared with the corresponding period last year. Also, its average room rates were only slightly increased by approximately 2% in order to maintain its competitiveness in the market. Since the hotel industry in Zhuhai City was still under intense competition, revenue from accommodation services only increased slightly. The travel agency business operated by Zhuhai Holiday Resort Hotel Co., Ltd. also recovered gradually. As for catering and sale of food, particularly wedding feasts and sale of mooncakes, good operation effectiveness was continuously recorded. As such, the overall result of the hotel business during the period under review was approximately break-even.

## MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION *(Continued)*

### Business Review *(Continued)*

#### 2. *The New Yuanming Palace and the Fantasy Water World*

During the period under review, the number of visitors of the New Yuanming Palace and the Fantasy Water World were approximately 280,000 and 233,000 respectively, representing an increase of approximately 29% and 54% respectively as compared with the corresponding period last year. Free from the influence of SARS, and with improved operating environment as a whole, coupled with the management's efforts in integrating resources, reducing operating costs and introducing new drama "Golden Era of Emperors Kangxi and Qianlong (康乾盛世)" to attract more visitors, the operating loss of the New Yuanming Palace attraction business dropped substantially to approximately HK\$2 million as compared with the corresponding period last year, representing a decrease in loss of approximately 72%. As for the Fantasy Water World, since the new theme "World's Fairy Tale Kingdom on Water (世界水上童話王國)" was introduced and certain facilities were renovated with ancillary facilities during the period under review, incomes from tickets, parks and shopping centres recorded growth. Operating profit increased by more than 100% as compared with the corresponding period last year.

## MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION *(Continued)*

### Business Review *(Continued)*

#### 3. *Marine Passenger Transportation Business*

As for marine passenger transportation business, benefited from the opening of individual visits to Hong Kong and Macau, the number of passenger trips of the ferry services between Zhuhai and Hong Kong, and Zhuhai and Shekou, operated by Zhuhai High-Speed Passenger Ferry Co., Ltd. ("Ferry Company") recorded a growth of approximately 75% and 29% respectively as compared to the corresponding period last year. However, the increase in operating income was offset by the increase in fuel costs resulted from high oil prices and the significant increase in repair expenses resulted from vessels entering the year of overhaul. As such, the operating profit of Ferry Company remained at similar level as the corresponding period last year. The turnover derived from ticket agency business and the provision of port facilities of Zhuhai Jiuzhou Port Passenger Traffic Service Co., Ltd. ("Jiuzhou Port Company") increased by approximately 30% as compared with the corresponding period last year. It was due to the continuous expansion of individual visits to Hong Kong and Macau as mentioned above, and the increase in the number of visitors travelling between Zhuhai and Shekou, and round-the-island trip. Despite the increase in advertising expenses during the period, the overall operating profit of Jiuzhou Port Company recorded a growth of over 40%.

### Prospects

The management of the hotel under the listed Group will promote hotel attraction and enhance reputation by further decoration of hotel villas, and will maintain its competitive edges by enhancing the facilities and equipments of business establishments. The New Yuanming Palace and the Fantasy Water World will renovate and decorate its certain attractions, and plan to complete 1-2 projects for tourist participation with both traditional and new features to increase attraction. As for marine passenger transportation business, sustained economic growth in the PRC, its policies towards individual visitors and the opportunities brought about by the CEPA policy 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 marine passenger transportation business will maintain steady growth. Moreover, the Group will put intense effort in expanding tourism and related businesses in line with the positioning and development direction of Zhuhai City with the aim to achieve a better return for its shareholders.

## MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION *(Continued)*

### 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 2004, the Group has no outstanding bank borrowings (30 April 2004: bank borrowings HK\$9.3 million). The Group's cash and bank balances and short term bank deposits as at 31 October 2004 amounted to approximately HK\$166 million (30 April 2004: HK\$146 million), of which approximately HK\$155 million were denominated in Renminbi and the remaining were all Hong Kong Dollars. Since the Group has no outstanding bank borrowings as at 31 October 2004, and based on the total bank borrowings in relation to shareholders' fund, the Group's gearing ratio as at 31 October 2004 was zero. As at 30 April 2004, the Group's gearing ratio was approximately 1%, based on the total bank borrowings of approximately HK\$9.3 million and the shareholders' funds of approximately HK\$941 million.

### Contingent Liabilities

As at 31 October 2004, the Group had no significant contingent liabilities.

### Future plans for material investments or capital assets

As at 31 October 2004, the Group had no future plans for material investments or capital assets.

### 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.

### Capital Structure

During the period, there was no change in the share capital of the Company. As at 31 October 2004, the number of issued ordinary shares was 799,000,000 shares in aggregate and the shareholders' equity of the Group was approximately HK\$953 million.



## MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION *(Continued)*

### Material Investment Held, Significant Acquisition and Disposals

During the period, there was no acquisition or disposal of material investment, subsidiary or associated company.

### 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' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Share option scheme" and "Directors' interest and short positions in shares and underlying shares" 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 minor children, or were any such rights exercised by them; or was the Company or any of its holding companies and subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SHARE OPTION SCHEME

The Company operates a share option scheme (the "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 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 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 Scheme and any other share option schemes of the Company may not exceed 30% 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 Scheme and any other share option schemes of the Company may not exceed 239,700,000 shares, which represents 10% of the total number of shares in issue as refreshed in the annual general meeting held on 29 October 2004 (i.e. not exceeding 79,900,000 shares in the Company), plus the 159,800,000 share options previously granted. Share options which lapse in accordance with the terms of the Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit. The Company may seek approval of the shareholders in a general meeting for refreshing the 10% limit under the Scheme, save that the total number of shares which may be issued upon exercise of all share options to be granted under the Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval of the limit as refreshed. Share options previously granted under the Scheme or any other share option schemes of the Company (including share options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the limit as refreshed. The total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

### SHARE OPTION SCHEME *(Continued)*

Each grant of the share options to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, under the 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 respective 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 approval from shareholders in a general meeting.

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 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's (the "SEHK") closing price of the Company's shares on the date of the offer of the share options; (ii) the average SEHK's 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 Scheme during the period:

Name or category of participant	At 1 May 2004	Number of share options Granted during the period	At 31 October 2004	Date of grant of share options*	Exercise period of share options	Exercise price of share options**	Price of the
							Company's shares at grant date of options***
							HK\$
<i>Directors</i>							
Mr. Zhu Lifu	2,700,000	2,700,000	2,700,000	17 April 2003	1 May 2003 to 16 April 2013	0.25	0.23
		4,000,000	4,000,000	5 July 2004	23 July 2004 to 4 July 2014	0.34	0.34
Mr. Yu Huaguo	2,860,000	2,860,000	2,860,000	17 April 2003	1 May 2003 to 16 April 2013	0.25	0.23
		3,600,000	3,600,000	5 July 2004	23 July 2004 to 4 July 2014	0.34	0.34
Mr. Gu Zengcai	2,250,000	2,250,000	2,250,000	17 April 2003	1 May 2003 to 16 April 2013	0.25	0.23
		3,200,000	3,200,000	5 July 2004	23 July 2004 to 4 July 2014	0.34	0.34
Mr. Jin Tao	2,700,000	2,700,000	2,700,000	17 April 2003	1 May 2003 to 16 April 2013	0.25	0.23
		3,200,000	3,200,000	5 July 2004	23 July 2004 to 4 July 2014	0.34	0.34
Mr. Yu Jinyao	2,700,000	2,700,000	2,700,000	17 April 2003	1 May 2003 to 16 April 2013	0.25	0.23
		3,200,000	3,200,000	5 July 2004	23 July 2004 to 4 July 2014	0.34	0.34

## SHARE OPTION SCHEME (Continued)

Name or category of participant	At 1 May 2004	Number of share options	Date of grant	Exercise period	Exercise price	Price of the Company's shares at grant date
		Granted during the period	At 31 October 2004	of share options*	of share options	of share options**
					HK\$	HK\$
Mr. Chen Yonglin	2,700,000		17 April 2003	1 May 2003 to 16 April 2013	0.25	0.23
		3,200,000	5 July 2004	23 July 2004 to 4 July 2014	0.34	0.34
Mr. Wu Hanqiu	2,700,000		17 April 2003	1 May 2003 to 16 April 2013	0.25	0.23
		3,200,000	5 July 2004	23 July 2004 to 4 July 2014	0.34	0.34
Mr. Chen Yuanhe	2,700,000		17 April 2003	1 May 2003 to 16 April 2013	0.25	0.23
		3,200,000	5 July 2004	23 July 2004 to 4 July 2014	0.34	0.34
Mr. Liang Han	1,000,000		17 April 2003	1 May 2003 to 16 April 2013	0.25	0.23
		1,700,000	5 July 2004	23 July 2004 to 4 July 2014	0.34	0.34
Mr. Hui Chiu Chung	1,000,000		17 April 2003	1 May 2003 to 16 April 2013	0.25	0.23
		1,700,000	5 July 2004	23 July 2004 to 4 July 2014	0.34	0.34
Mr. Chu Yu Lin, David	1,000,000		17 April 2003	1 May 2003 to 16 April 2013	0.25	0.23
		1,700,000	5 July 2004	23 July 2004 to 4 July 2014	0.34	0.34
	24,310,000	31,900,000	56,210,000			

## SHARE OPTION SCHEME (Continued)

Name or category of participant	Number of share options		Date of grant of share options*	Exercise period of share options	Exercise price of share options**	Price of the Company's shares at grant date of options***	
	At 1 May 2004	Granted during the period					At 31 October 2004
					HK\$	HK\$	
Other employees	18,770,000		18,770,000	17 April 2003	1 May 2003 to 16 April 2013	0.25	0.23
		25,250,000	25,250,000	5 July 2004	23 July 2004 to 4 July 2014	0.34	0.34
Others	36,820,000		36,820,000	17 April 2003	1 May 2003 to 16 April 2013	0.25	0.23
		22,750,000	22,750,000	5 July 2004	23 July 2004 to 4 July 2014	0.34	0.34
	79,900,000	79,900,000	159,800,000				

\* 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 159,800,000 share options outstanding under the Scheme. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 159,800,000 additional ordinary shares of the Company and additional share capital of HK\$15,980,000 and share premium of HK\$31,161,000 (before issue expenses).

**DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 31 October 2004, the interests and short positions of the directors in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("the Model Code"), were as follows:

**Long Positions in share options of the Company**

Share options are granted to the directors under the Scheme adopted by the Company on 26 September 2002. Details of such share options outstanding as at 31 October 2004 under the Scheme are as follows:

Name of director	Number of share options directly and beneficially owned
Mr. Zhu Lifu	6,700,000
Mr. Yu Huaguo	6,460,000
Mr. Gu Zengcai	5,450,000
Mr. Jin Tao	5,900,000
Mr. Yu Jinyao	5,900,000
Mr. Chen Yonglin	5,900,000
Mr. Wu Hanqui	5,900,000
Mr. Chen Yuanhe	5,900,000
Mr. Liang Han	2,700,000
Mr. Hui Chiu Chung	2,700,000
Mr. Chu Yu Lin, David	2,700,000
	56,210,000

**DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES** *(Continued)*

The details of the directors' interests in the share options of the Company were disclosed in the section of "Share Option Scheme". Save as disclosed above, as at 31 October 2004, none of the directors had registered any interests and short positions in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

**SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 31 October 2004, 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:

<b>Name</b>	<i>Note</i>	<b>Number of ordinary shares directly and beneficially held (Unaudited)</b>	<b>Percentage of the Company's issued share capital (Unaudited)</b>
Zhuhai Industrial Company Limited ("ZICL")	1	235,200,000	29.44
Pioneer Investment Ventures Limited (in provisional liquidation) ("PIV")	1	337,000,000	42.18



**SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS  
AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES  
(Continued)**

*Note:*

1. In accordance with Part XV of the SFO, Zhu Kuan (Hong Kong) Company Limited (in liquidation), Zhu Kuan Group Company Limited (in liquidation) and Zhu Kuan Company of the Zhuhai SEZ were deemed to be interested in the 235,200,000 and 337,000,000 shares of the Company held by ZICL and PIV (in provisional liquidation), respectively, because:
  - Zhu Kuan (Hong Kong) Company Limited (in liquidation) is the immediate holding company of ZICL;
  - Zhu Kuan Group Company Limited (in liquidation) is the immediate holding company of Zhu Kuan (Hong Kong) Company Limited (in liquidation) and PIV (in provisional liquidation); and
  - Zhu Kuan Company of the Zhuhai SEZ is the immediate holding company of Zhu Kuan Group Company Limited (in liquidation).

Based on the information available to the Company, prior to 2 July 2004, ZICL was the beneficial owner and registered holder of 236 million shares, of which 235.2 million shares ("BOC Charged Shares") (representing approximately 29.4% of the Company's issued share capital) have been charged to Bank of China (Hong Kong) Limited ("BOCHK"). On 2 July 2004, the 800,000 shares beneficially owned by ZICL and which had not been charged to BOCHK, were transferred to and registered under the name of HKSCC Nominees Limited.

Subsequent to the balance sheet date, BOCHK in enforcing its security, sold to Zhuhai Jiuzhou Port Group Corporation ("ZJP Group") all the BOC Charged Shares, which sale was completed on 8 December 2004.

Immediately following completion of the sale and purchase of the BOC Charged Shares, ZJP Group's interest in the Company's issued share capital is approximately 71.6% of the Company's issued share capital, comprising (a) approximately 29.4% as attributable to the BOC Charged Shares, and (b) approximately 42.2% as attributable to the 337 million shares owned by PIV, which have been charged in favour of Longway Services Group Limited, a wholly owned subsidiary of ZJP Group.

## **SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES** *(Continued)*

Save as disclosed above, no person, other than the directors of the Company whose interests are set out in the section "Directors' interest and short positions in shares and underlying shares" above, had registered an interest or 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, redeemed or sold any of the Company's listed securities during the period.

## **COMPLIANCE WITH THE 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 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 in accordance with the provisions of the Company's bye-laws.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange as the code of conduct regarding directors' securities transactions. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 31 October 2004.

### AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purpose of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The audit committee comprises the three independent non-executive directors and the non-executive director of the Company. The unaudited interim financial report of the Company for the six months ended 31 October 2004 have been reviewed by the audit committee.

### INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividend (2003: Nil) for the six months ended 31 October 2004.

By Order of the Board  
**Zhu Lifu**  
*Chairman*

Hong Kong, 27 January 2005