INTERIM REPORT 2005

九洲發展有限公司
JIUZHOU DEVELOPMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

ERNST & YOUNG
安永會計師事務所

INDEPENDENT REVIEW REPORT

To the Board of Directors
Jiuzhou 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 2005 as set out on pages 4 to 27.

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 Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "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 337 million shares, representing an aggregate 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 shareholders 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 year ended 30 April 2005, pursuant to another winding-up petition, 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 were charged in previous years in favour of a wholly-owned subsidiary of a substantial shareholder of the Company (the "Chargee"), and a dispute has arisen between the Chargee and the provisional liquidators over the proposed transfer of the Pledged Shares by the Chargee.

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.

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 2005.

Ernst & Young
Certified Public Accountants

Hong Kong
20 January 2006

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31 October 2005

	Notes	For the six months ended 31 October **2005** ***HK$'000*** **(Unaudited)**	2004 *HK$'000* (Unaudited) (Restated)
TURNOVER	*5*	**120,146**	114,196
Cost of sales		**90,825**	(88,071)
Gross profit		**29,321**	26,125
Other revenue		**8,313**	5,325
Selling and distribution costs		**(3,971)**	(3,058)
Administrative expenses		**(21,791)**	(21,200)
Other operating income/(expenses), net		**99**	(45)
Share of profit of a jointly-controlled entity		**9,435**	7,934
Share of losses of associates		**(135)**	(74)
PROFIT BEFORE TAX	*6*	**21,271**	15,007
Tax	*7*	**(2,210)**	(1,438)
PROFIT FOR THE PERIOD		**19,061**	13,569
ATTRIBUTABLE TO:			
Equity holders of the parent		**18,369**	12,778
Minority interests		**692**	791
		19,061	13,569
EARNINGS PER SHARE	*8*		
Basic		**HK2.30 cents**	HK1.60 cents
Diluted		**HK2.12 cents**	HK1.55 cents
DIVIDEND PER SHARE		**Nil**	Nil

CONDENSED CONSOLIDATED BALANCE SHEET

31 October 2005

	Notes	**As at 31 October 2005 HK$'000 (Unaudited)**	As at 30 April 2005 HK$'000 (Restated)
NON-CURRENT ASSETS			
Fixed assets		**401,529**	397,729
Prepaid land lease payments		**209,192**	211,396
Rights to use port facilities		**19,222**	18,900
Golf club memberships		**12,387**	12,040
Interest in a jointly-controlled entity		**72,647**	86,253
Interests in associates		**1,641**	1,745
Available-for-sale investments	*9*	**4,980**	4,963
Prepayments and deposits		**4,838**	4,830
		726,436	737,856
CURRENT ASSETS			
Securities held at fair value through profit and loss		**726**	742
Inventories		**1,862**	2,130
Trade receivables	*10*	**25,236**	21,079
Prepayments, deposits and other receivables		**12,825**	15,202
Due from a jointly-controlled entity	*11*	**9,315**	9,992
Due from related parties	*12*	**1,875**	857
Due from a shareholder	*11*	**7,331**	6,832
Cash and cash equivalents	*13*	**292,002**	226,295
		351,172	283,129
CURRENT LIABILITIES			
Trade payables	*14*	**12,745**	9,428
Accrued liabilities and other payables		**59,543**	48,484
Construction payables		**2,992**	2,840
Tax payable		**11,029**	9,878
Due to a related company	*12*	**1,388**	393
		87,697	71,023

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

31 October 2005

	Notes	**As at 31 October 2005 *HK$'000* (Unaudited)**	As at 30 April 2005 *HK$'000* (Restated)
NET CURRENT ASSETS		**263,475**	212,106
TOTAL ASSETS LESS CURRENT LIABILITIES		**989,911**	949,962
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**9,813**	9,813
		980,098	940,149
CAPITAL AND RESERVES			
Equity attributable to equity holders of the parent			
Issued capital		**79,900**	79,900
Reserves		**888,977**	850,015
		968,877	929,915
Minority interests		**11,221**	10,234
		980,098	940,149

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2005

		Reserves										
	Issued share capital *HK$'000* (Unaudited)	**Share premium account** *HK$'000* (Unaudited)	**Contributed surplus** *HK$'000* (Unaudited)	**Goodwill reserve** *HK$'000* (Unaudited)	**Asset revaluation reserve** *HK$'000* (Unaudited)	**Statutory reserve funds** *HK$'000* (Unaudited)	**Exchange fluctuation reserve** *HK$'000* (Unaudited)	**Retained profits** *HK$'000* (Unaudited)	**Sub-total** *HK$'000* (Unaudited)	**Total** *HK$'000* (Unaudited)	**Minority interests** *HK$'000* (Unaudited)	**Total equity** *HK$'000* (Unaudited)
At 1 May 2005												
As previously reported	79,900	359,599	446,355	(200,573)	81,583	62,134	–	114,438	863,536	943,436	10,234	953,670
Prior period adjustment: HKAS 17-Leases *(note 3)*	–	–	–	–	(25,064)	–	–	11,543	(13,521)	(13,521)	–	(13,521)
As restated	79,900	359,599	446,355	(200,573)	56,519	62,134	–	125,981	850,015	929,915	10,234	940,149
Net profit for the period	–	–	–	–	–	–	–	18,369	18,369	18,369	692	19,061
Transfer to statutory reserve funds	–	–	–	–	–	1,480	–	(1,480)	–	–	–	–
Share of reserve movement of a jointly-controlled entity	–	–	–	–	–	2,728	–	(2,728)	–	–	–	–
Exchange realignment	–	–	–	–	–	–	20,593	–	20,593	20,593	295	20,888
At 31 October 2005	79,900	359,599	446,355	(200,573)	56,519	66,342	20,593	140,142	888,977	968,877	11,221	980,098
At 1 May 2004												
As previously reported	79,900	359,599	446,355	(200,573)	98,439	55,151	–	102,161	861,132	941,032	8,664	949,696
Prior period adjustment: HKAS 17-Leases *(note 3)*	–	–	–	–	(46,884)	–	–	10,398	(36,486)	(36,486)	–	(36,486)
As restated	79,900	359,599	446,355	(200,573)	51,555	55,151	–	112,559	824,646	904,546	8,664	913,210
Net profit for the period	–	–	–	–	–	–	–	12,778	12,778	12,778	791	13,569
Transfer to statutory reserve funds	–	–	–	–	–	1,071	–	(1,071)	–	–	–	–
Share of reserve movement of a jointly-controlled entity	–	–	–	–	–	1,235	–	(1,235)	–	–	–	–
At 31 October 2004	79,900	359,599	446,355	(200,573)	51,555	57,457	–	123,031	837,424	917,324	9,455	926,779

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 October 2005

	For the six months ended 31 October	
	2005	2004
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
NET CASH INFLOW/(OUTFLOW) FROM:		
Operating activities	**40,556**	35,332
Investing activities	**(39,369)**	(6,226)
Financing activities	**—**	(9,346)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,187**	19,760
Cash and cash equivalents at beginning of period	**194,577**	122,313
Effect of foreign exchange rate changes, net	**5,118**	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**200,882**	142,073
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**200,882**	140,180
Non-pledged time deposits with original maturity within three months when acquired	**—**	1,893
	200,882	142,073

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

31 October 2005

1. 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 then the controlling shareholders of the Company.

337 million shares (representing approximately a 42.2% equity interest in the Company) are registered in the name of and directly 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 year ended 30 April 2005, 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, who has taken over or will take over the management of Zhu Kuan Macau. In addition, 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 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, a substantial shareholder of the Company and a minority shareholder of Zhuhai Jiuzhou Port Passenger Traffic Services Co., Ltd. ("Jiuzhou Port Company"), a 90%-owned subsidiary of the Group, and the joint venture partner of Zhuhai High-Speed Passenger Ferry Co., Ltd. ("Ferry Company"), the Group's jointly-controlled entity. 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 approval of this interim financial report, yet to be resolved. 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.

1. **Corporate Update and Basis of Presentation** *(Continued)*

The PIV Charged Shares were not used as security against any of the Group's borrowing facilities. Furthermore, the Group is not the subject of any of the winding-up petitions/orders mentioned above.

As at 31 October 2005 and up to the date of approval of this interim financial report, the Group has neither given financial assistance (such as loans or guarantees) to Zhu Kuan Macau, Zhu Kuan (HK), PIV or any of their subsidiaries and associates, nor has the Group received any financial assistance from Zhu Kuan Macau, Zhu Kuan (HK), 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 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 facilities (including villas, a health centre and recreational facilities) of Zhuhai Holiday Resort Hotel Co., Ltd., a subsidiary of the Company. Further details of such transactions are set out in note 15 to the interim financial report.

Further details concerning the above are also set out in the Company's various press announcements during the period from August 2003 to December 2004.

The 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.

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 Pledged 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 the interim financial report.

2. Accounting Policies

Basis of preparation

The unaudited condensed consolidated interim financial report for the six months ended 31 October 2005 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial report are the same as those used in the annual financial statements of the Group for the year ended 30 April 2005, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK-Int 1	The Appropriate Accounting Policies for Infrastructure Facilities
HK-Int 2	The Appropriate Accounting Policies for Hotel Properties

2. Accounting Policies *(Continued)*

Basis of preparation *(Continued)*

The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 28, 31, 33, 37, HK-Int 1 and HK-Int 2 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated interim financial report. The material impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 — Leases

Leasehold land and buildings

In prior periods, leasehold land and buildings held for own use were stated at cost or valuation less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to prepaid land lease payments, while leasehold buildings continue to be classified as part of fixed assets. Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in fixed assets.

The effects of this change in accounting policy are summarised in note 3 to the interim financial report. The comparatives on the condensed consolidated balance sheet as at 30 April 2005 have been restated to reflect the change in accounting policy.

2. Accounting Policies *(Continued)*

Basis of preparation *(Continued)*

(b) HKAS 32 and HKAS 39 — Financial Instruments

Equity investments

In prior periods, the Group classified certain of its investments in equity securities as long term investments, which were listed and unlisted equity securities held for continuing strategic or long term purposes, and were stated at cost less any impairment losses.

Upon the adoption of HKASs 32 and 39, these securities are classified as available-for-sale investments. Available-for-sale investments are those non-derivative investments in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other categories of financial assets as defined in HKAS 39. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and option pricing models.

When the fair value of unlisted equity cannot be reliably measured because (1) the variability in the range of reasonable fair value estimates is significant for that investment, or (2) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group assesses at each balance sheet date whether there is any objective evidence that an available-for-sale investment is impaired as a result of one or more events that occurred after the initial recognition of the assets ("loss events"), and that the loss event has an impact on the estimated future cash flows that can be reliably estimated.

2. Accounting Policies *(Continued)*

Basis of preparation *(Continued)*

(b) HKAS 32 and HKAS 39 — Financial Instruments (Continued)

Equity investments *(Continued)*

If there is objective evidence of impairment, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the profit and loss account. The amount of the loss recognised in the profit and loss account shall be the difference between the acquisition cost and current fair value, less any impairment loss on that available-for-sale investment previously recognised in the profit and loss account.

This change in accounting policy has had no effect on the condensed consolidated profit and loss account and retained profits. In accordance with HKAS 32, comparative amounts have been reclassified for presentation purpose, but have not been restated in accordance with the transitional provisions of HKAS 39.

(c) HKFRS 2 — Share-based Payment

Employee share options

In prior periods, no recognition and measurement of share-based transactions in which employees (including directors) were granted share options over shares in the Company was required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted. The fair value is determined by using an option pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company, if applicable.

2. Accounting Policies *(Continued)*

Basis of preparation *(Continued)*

(c) HKFRS 2 — Share-based Payment (Continued)

Employee share options *(Continued)*

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit and loss account for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

There were no share options granted by the Company after 7 November 2002 but had not vested by 1 May 2005. Accordingly, the adoption of HKFRS 2 has had no effect on the prior periods' consolidated financial statements.

(d) HKFRS 3 — Business Combinations and HKAS 36 — Impairment of Assets

Goodwill

In prior periods, goodwill arising on acquisitions prior to 1 January 2001 was eliminated against the consolidated reserves in the year of acquisition and was not recognised in the consolidated profit and loss account until disposal or impairment of the acquired business/entity.

2. Accounting Policies *(Continued)*

Basis of preparation *(Continued)*

(d) HKFRS 3 — Business Combinations and HKAS 36 — Impairment of Assets (Continued)

Goodwill *(Continued)*

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in which case, it was recognised as income in the consolidated profit and loss account when the future losses and expenses were recognised.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries, associates, and jointly-controlled entities (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the consolidated profit and loss account.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 May 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill and to derecognise the carrying amounts of negative goodwill (including that remaining in the consolidated capital reserve) against retained profits. Goodwill previously eliminated against the consolidated reserves remains eliminated against the consolidated reserves and is not recognised in the consolidated profit and loss account when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The adoption of HKFRS 3 and HKAS 36 has had no material effect on the prior period's consolidated financial statements.

2. Accounting Policies *(Continued)*

Basis of preparation *(Continued)*

(e) HKAS 1 — Presentation of Financial Statements and HKAS 27 — Consolidated and Separate Financial Statements

Minority interests

In prior periods, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as a deduction from net assets. Minority interests in the results of the Group for the period were also separately presented in the consolidated profit and loss account as a deduction before arriving at the net profit attributable to shareholders.

With effect from 1 May 2005, in order to comply with HKAS 1 and HKAS 27, minority interests at the balance sheet date are presented in the condensed consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the parent, and minority interests in the results of the Group for the period are presented on the face of the consolidated profit and loss account as an allocation of the profit or loss for the period between the minority interests and the equity holders of the parent.

The presentation of minority interests in the condensed consolidated balance sheet as at 30 April 2005 and in the condensed consolidated profit and loss account and condensed consolidated statement of changes in equity for the comparative period ended 31 October 2004 has been restated accordingly.

Share of results of associates/jointly-controlled entities

In prior periods, the Group's share of tax attributable to associates/jointly-controlled entities was presented as a component of the Group's total tax charge/(credit) in the consolidated profit and loss account. On the adoption of HKAS 1, the Group's share of the post-acquisition results of the associates/jointly-controlled entities is presented net of the Group's share of tax attributable to associates/jointly-controlled entities.

3. Summary of the impact of changes in accounting policies

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted accordingly. The details of the prior period adjustments are summarised as follows:

(a) Effect on opening balance of total equity at 1 May 2005

Effect of new policy (Increase/(decrease))	Note	Goodwill reserve HK$'000 (Unaudited)	Asset revaluation reserve HK$'000 (Unaudited)	Statutory reserve funds HK$'000 (Unaudited)	Exchange fluctuation reserve HK$'000 (Unaudited)	Retained profits HK$'000 (Unaudited)	Minority interests HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Prior period adjustment:								
HKAS 17 — Leases	2(a)	—	(25,064)	—	—	11,543	—	(13,521)
Total effect at 1 May 2005		—	(25,064)	—	—	11,543	—	(13,521)

(b) Effect on opening balance of total equity at 1 May 2004

Effect of new policy (Increase/(decrease))	Note	Goodwill reserve HK$'000 (Unaudited)	Asset revaluation reserve HK$'000 (Unaudited)	Statutory reserve funds HK$'000 (Unaudited)	Exchange fluctuation reserve HK$'000 (Unaudited)	Retained profits HK$'000 (Unaudited)	Minority interests HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Prior period adjustment:								
HKAS 17 — Leases	2(a)	—	(46,884)	—	—	10,398	—	(36,486)
Total effect at 1 May 2004		—	(46,884)	—	—	10,398	—	(36,486)

3. Summary of the impact of changes in accounting policies *(Continued)*

The following table summarises the impact on profit after tax, income or expenses recognised directly in equity and capital transactions with equity holders for the six-month periods ended 31 October 2005 and 2004 upon the adoption of the new HKFRSs. As no retrospective adjustments have been made for the adoption of HKAS 39, the amounts shown for the six months ended 31 October 2004 may not be comparable to the amounts shown for the current interim period.

(c) Effect on profit after tax for the six months ended 31 October 2005 and 2004

		For the six months ended 31 October					
		2005			2004		
Effect of new policy (Increase/(decrease))	*Note*	**Equity holders of the parent** *HK$'000* **(Unaudited)**	**Minority interests** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**	Equity holders of the parent *HK$'000* (Unaudited)	Minority interests *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Effect on profit after tax:							
HKAS 17 — Leases	*2(a)*						
Increase in amortisation		**(3,531)**	**—**	**(3,531)**	(3,522)	—	(3,522)
Decrease in depreciation		**3,805**	**—**	**3,805**	4,226	—	4,226
Total effect for the period		**274**	**—**	**274**	704	—	704
Effect on earnings per share:							
Basic		**HK0.03 cent**			HK0.09 cent		
Diluted		**HK0.03 cent**			HK0.09 cent		

4. Segment Information

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

	Hotel For the six months ended 31 October		Tourist attraction For the six months ended 31 October		Provision of port facilities and ticketing services For the six months ended 31 October		Corporate and others For the six months ended 31 October		Consolidated For the six months ended 31 October	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited) (Restated)	**(Unaudited)**	(Unaudited) (Restated)	**(Unaudited)**	(Unaudited) (Restated)	**(Unaudited)**	(Unaudited) (Restated)	**(Unaudited)**	(Unaudited) (Restated)
Segment revenue:										
Sales to external customers	**69,824**	65,390	**30,574**	29,402	**18,751**	18,963	**997**	441	**120,146**	114,196
Segment results	**1,352**	257	**3,264**	1,991	**7,842**	8,754	**(2,224)**	(4,465)	**10,234**	6,537
Interest income									**1,737**	610
Share of profit and loss of:										
Jointly-controlled entity	**–**	–	**–**	–	**9,435**	7,934	**–**	–	**9,435**	7,934
Associates	**–**	–	**–**	–	**–**	–	**(135)**	(74)	**(135)**	(74)
Profit before tax									**21,271**	15,007
Tax									**(2,210)**	(1,438)
Profit for the period									**19,061**	13,569

5. 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.

6. Profit before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 31 October	
	2005	2004
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Cost of inventories sold	**10,620**	10,756
Cost of services provided	**80,205**	77,315
Amortisation of prepaid land lease payments	**3,531**	3,522
Amortisation of rights to use port facilities	**220**	270
Depreciation	**14,034**	18,881
Losses on securities held at fair value through profit and loss, net	**16**	20
Exchange gains, net	**(2,048)**	(122)
Rental income	**(4,090)**	(3,914)
Interest income	**(1,737)**	(610)

7. Tax

	For the six months ended 31 October	
	2005	2004
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Current period provision:		
Hong Kong	**—**	—
Elsewhere	**2,210**	1,438
	2,210	1,438

Hong Kong profits tax has not been provided because the Group did not generate any assessable profits arising in Hong Kong during the period (2004: 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.

Share of tax attributable to a jointly-controlled entity amounting to HK$2,256,000 (2004: HK$1,533,000) is included in share of profit of a jointly-controlled entity on the face of the condensed consolidated profit and loss account.

8. Earnings per Share

The calculation of basic earnings per share for the period is based on the net profit attributable to equity holders of the parent of HK$18,369,000 (2004: HK$12,778,000 (as restated)) and the weighted average of 799,000,000 (2004: 799,000,000) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the net profit attributable to equity holders of the parent for the period of HK$18,369,000 (2004: HK$12,778,000 (as restated)). The weighted average number of ordinary shares used in the calculation is the 799,000,000 (2004: 799,000,000) ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 68,426,013 (2004: 24,430,362) ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all share options outstanding during the period.

9. Available-for-sale Investments

	As at 31 October 2005 ***HK$'000*** **(Unaudited)**	As at 30 April 2005 *HK$'000*
Hong Kong listed equity investment, at fair value#	**4,379**	4,379
Unlisted equity investment, at cost	**601**	584
	4,980	4,963

Available-for-sale investments consist of investments in listed and unlisted ordinary shares, and therefore have no fixed maturity date or coupon rate.

The unlisted equity investment is stated at cost because its fair value could not be reliably measured at the balance sheet date.

9. Available-for-sale Investments *(Continued)*

\# In August 2004, the Company acquired a total of approximately 178 million shares, representing approximately a 6% equity interest in Dynamic Global Holdings Limited ("Dynamic Global"), a company listed on The Stock Exchange of Hong Kong Limited, at a consideration of approximately HK$7.4 million in aggregate. According to an 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 the 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 2004, 3 January 2006 and 11 January 2006, Dynamic Global announced certain changes in its board of directors, including the position of Chairman and Chief Executive Officer. The trading in Dynamic Global's shares as at the date of this report has not yet resumed.

As the trading in the shares of Dynamic Global had not yet resumed, its market value is not readily available. The fair value of the investment in Dynamic Global was estimated by the directors using a valuation technique.

10. 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 2005 ***HK$'000*** **(Unaudited)**	As at 30 April 2005 *HK$'000*
Current — 3 months	**13,683**	12,338
4 — 6 months	**1,647**	1,909
7 — 12 months	**7,949**	2,525
Over 12 months	**1,957**	4,307
	25,236	21,079

10. Trade Receivables *(Continued)*

As at 31 October 2005, 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$13,265,000 (30 April 2005: HK$13,098,000). 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.

11. Due from a Jointly-Controlled Entity and a Shareholder

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

12. Balances with Related Parties

Particulars of amounts due from related parties are as follows:

Name	Relationship	**As at 31 October 2005** ***HK$'000*** **(Unaudited)**	As at 30 April 2005 *HK$'000*
Macau-Mondial Travel & Tours Ltd.	Subsidiary of Zhu Kuan Macau	**5,398**	5,398
Zhuhai Special Economic Zone Hotel	Subsidiary of Zhu Kuan Macau	**458**	458
濠江旅行社	Subsidiary of Zhuhai Jiuzhou Port Group Corporation	**1,875**	857
		7,731	6,713
Provisions		**(5,856)**	(5,856)
		1,875	857

The balances with related parties are unsecured, interest-free, and have no fixed terms of repayment.

13. Cash and Cash Equivalents

	As at 31 October 2005 ***HK$'000*** **(Unaudited)**	As at 30 April 2005 *HK$'000*
Cash and bank balances	**200,882**	194,577
Time deposits	**91,120**	31,718
	292,002	226,295

14. Trade Payables

An aged analysis of the trade payables as at the balance sheet date is as follows:

	As at 31 October 2005 ***HK$'000*** **(Unaudited)**	As at 30 April 2005 *HK$'000*
Current — 3 months	**8,800**	6,290
4 — 6 months	**634**	614
7 — 12 months	**871**	319
Over 12 months	**2,440**	2,205
	12,745	9,428

15. 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:

			For the six months ended 31 October	
Name	*Notes*	**Nature**	**2005** ***HK$'000*** **(Unaudited)**	2004 *HK$'000* (Unaudited)
Zhuhai Holiday Resort Co., Ltd.	*(i)*	Rental expense	**4,358**	4,250
Ferry Company	*(ii)*	Port service fee	**11,429**	10,181
Zhuhai Jiuzhou Port Group Corporation	*(iii)*	Rental expenses	**1,725**	1,626

15. Material Related Party Transactions *(Continued)*

Notes:

(i) The rental expense paid to Zhuhai Holiday Resort Co., Ltd., a subsidiary of Zhu Kuan Macau was calculated by reference to the relevant tenancy agreement.

(ii) Jiuzhou Port Company, a subsidiary of the Company, received agency commission fees and service fees (the "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 of the Group. 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 Zhuhai Jiuzhou Port Group Corporation, who is a substantial shareholder of the Company and the major shareholder of Ferry Company, were calculated by reference to the respective tenancy agreements.

As at 31 October 2005, the Group had a balance due from Zhuhai Jiuzhou Port Group Corporation. The balance is unsecured, interest-free, and has no fixed terms of repayment. Zhuhai Jiuzhou Port Group Corporation has agreed with the Group that the amount receivable from Zhuhai Jiuzhou Port Group Corporation of HK$7,170,000 as at 31 October 2005 (30 April 2005: HK$6,832,000), will be settled by Zhuhai Jiuzhou Port Group Corporation's entitlement to future dividends from the Ferry Company.

16. Contingent Liabilities

At the balance sheet date, the Group had no significant contingent liabilities (30 April 2005: Nil).

17. 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 2005 ***HK$'000*** **(Unaudited)**	As at 30 April 2005 *HK$'000*
Within one year	**11,904**	11,691
In the second to fifth years, inclusive	**39,895**	39,340
After five years	**289,312**	285,691
	341,111	336,722

18. Commitments

In addition to the operating lease commitments detailed in note 17 above, the Group had the following commitments as at the balance sheet date:

	As at 31 October 2005 ***HK$'000*** **(Unaudited)**	As at 30 April 2005 *HK$'000*
Capital commitments contracted for:		
Acquisition of fixed assets	**3,546**	1,615
Capital injection into a subsidiary	**3,400**	3,400
	6,946	5,015

19. Approval of the Interim Financial Report

The condensed consolidated interim financial report was approved and authorised for issue by the board of directors on 20 January 2006.

MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION

Business Review

For the six months ended 31 October 2005, the Group's unaudited consolidated turnover and unaudited consolidated net profit attributable to shareholders amounted to approximately HK$120,146,000 and HK$18,369,000 respectively, representing an increase of approximately 5% and 44% over the corresponding period of 2004. During the period under review, the overall operating environment and business of the Group is more or less the same with that in the corresponding period last year. Benefited from the continuous vigorous growth of tourism industry in the PRC and the flexible operating strategy and integration of resources adopted by the enterprise, the hotel, attraction and marine passenger transportation businesses achieved better performance as compared with the corresponding period last year.

1. Marine Passenger Transportation Business

As for marine passenger transportation business, continuously 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") was 563,000 and 231,000 respectively, representing a growth of approximately 6% and 4% respectively as compared to the corresponding period last year. It was attributable to the sales strategy of launching a series of ticket price concessions, which attracted visitors in the peripheral regions. In August and September during the period under review, the ticket price adjusted upward moderately, so the operating income achieved an increase of approximately 9%. Although the operating income was partially offset by the increase in fuel costs resulted from high oil prices, the operating profit of Ferry Company still recorded a growth of approximately 19% as compared with the corresponding period last year. The operating income derived from ticket agency business and the utilisation of pier facilities of Zhuhai Jiuzhou Port Passenger Traffic Service Co., Ltd. ("Jiuzhou Port Company") remained at similar level as compared with the corresponding period last year. However, due to the increase in the water transportation expenses during the year, the overall operating profit of Jiuzhou Port Company dropped by approximately 12%.

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

Business Review *(Continued)*

2. Hotel Business

During the period under review, the average occupancy rate of our hotel was approximately 63% which remained at similar level as compared with the corresponding period last year. However, its average room rates reduced approximately 3% in order to maintain its competitiveness in the market. Since certain new and relatively small scale hotels in peripheral regions were completed during the period under review, the hotel industry was still under intense competition, and revenue from accommodation services decreased slightly. The travel agency business operated by Zhuhai Holiday Resort Hotel Co., Ltd. achieved better growth as compared with the corresponding period last year. However, as the travel agency industry was under intense competition, the profit margin decreased slightly. As for catering and sale of food, particularly large scale feasts and sale of mooncakes, good operation effectiveness was continuously recorded. In general, the overall result of the hotel business during the period under review achieved better performance as compared with the corresponding period last year.

3. 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 336,000 and 289,000 respectively, representing an increase of approximately 20% and 24% respectively as compared with the corresponding period last year. The New Yuanming Palace and the Fantasy Water World modified their operating strategy by reducing the average ticket price in order to enhance sources of visitors. As for the New Yuanming Palace, it introduced a new drama "Sea War in Qing Dynasty（大清海戰）" to attract more visitors this year. However, during the period under review, due to the increase in advertising expenses and the preparation and production costs for the new drama, the overall result decreased slightly as compared with the corresponding period last year. As for the Fantasy Water World, it equipped with new skiing facilities and additional night shows presented by Russian acrobatics during the period under review, in combination with favourable weather, there was substantial growth in the number of visitors. Therefore, the overall operating profit of this year increased over 40% as compared with the corresponding period last year.

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

Prospects

Looking forward to the development for the second half of the year, it is expected that the existing businesses of the Group will maintain stable growth. The management of the hotel under the listed Group will promote hotel attraction and enhance reputation by further decoration of hotel villas and exterior of main buildings, and will reinforce its personnel training and assessment to meet future challenges. The New Yuanming Palace will devise more festive programmes to attract more visitors. As for marine passenger transportation business, sustained economic growth in the PRC and particularly the vigorous growth in peripheral regions like Hong Kong and Macau, are poised to further boost tourist development and business activities. Accordingly, the Board of Directors believes that the marine passenger transportation business will maintain steady growth. Moreover, the Group will continue to explore potential investment opportunities to broaden its profit base, rationalize its internal resources and open up more businesses, with the objective to achieve a better return for its shareholders.

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, if necessary. As at 31 October 2005, the Group has no outstanding bank borrowings (30 April 2005: Nil). The Group's cash and bank balances and short term bank deposits as at 31 October 2005 amounted to approximately HK$292 million (30 April 2005: HK$226 million), of which approximately HK$284 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 2005 and 30 April 2005 respectively and based on the total bank borrowings in relation to shareholders' fund, the Group's gearing ratio as at 31 October 2005 and 30 April 2005 respectively was zero.

Contingent Liabilities

As at 31 October 2005, the Group had no significant contingent liabilities.

Future plans for material investments or capital assets

As at 31 October 2005, the Group had no future plans for material investments or capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION
(Continued)

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 2005, the number of issued ordinary shares was 799,000,000 shares in aggregate and the equity attributable to the equity holders of the Company was approximately HK$969 million.

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.

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 as at 31 October 2005:

Name or category of participant	At 31 October 2005	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$	Price of the Company's shares at grant date of options*** HK$
Directors					
Mr. Zhu Lifu	2,700,000	17 April 2003	1 May 2003 to 16 April 2013	0.25	0.26
	4,000,000	5 July 2004	23 July 2004 to 4 July 2014	0.34	0.34
Mr. Yu Huaguo	2,860,000	17 April 2003	1 May 2003 to 16 April 2013	0.25	0.26
	3,600,000	5 July 2004	23 July 2004 to 4 July 2014	0.34	0.34
Mr. Gu Zengcai	2,250,000	17 April 2003	1 May 2003 to 16 April 2013	0.25	0.26
	3,200,000	5 July 2004	23 July 2004 to 4 July 2014	0.34	0.34
Mr. Jin Tao	2,700,000	17 April 2003	1 May 2003 to 16 April 2013	0.25	0.26
	3,200,000	5 July 2004	23 July 2004 to 4 July 2014	0.34	0.34
Mr. Chen Yonglin	2,700,000	17 April 2003	1 May 2003 to 16 April 2013	0.25	0.26
	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	0.26
	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 31 October 2005	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$	Price of the Company's shares at grant date of options*** HK$
Mr. Liang Han	1,000,000	17 April 2003	1 May 2003 to 16 April 2013	0.25	0.26
	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	0.26
	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	0.26
	1,700,000	5 July 2004	23 July 2004 to 4 July 2014	0.34	0.34
	44,410,000				
Other employees	22,320,000	17 April 2003	1 May 2003 to 16 April 2013	0.25	0.26
	25,250,000	5 July 2004	23 July 2004 to 4 July 2014	0.34	0.34
Others	38,670,000#	17 April 2003	1 May 2003 to 16 April 2013	0.25	0.26
	29,150,000##	5 July 2004	23 July 2004 to 4 July 2014	0.34	0.34
	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.

SHARE OPTION SCHEME *(Continued)*

*** 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 immediately prior to the date of grant of the share options.

5,400,000 share options outstanding as at 1 May 2005 which were granted to certain directors retired during the current period have been reclassified to the category "Others".

6,400,000 share options outstanding as at 1 May 2005 which were granted to certain directors retired during the current period have been reclassified to the category "Others".

No share options were granted for the six months ended 31 October 2005 (2004: 79,900,000).

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 2005, 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 2005 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. Chen Yonglin	5,900,000
Mr. Wu Hanqui	5,900,000
Mr. Liang Han	2,700,000
Mr. Hui Chiu Chung	2,700,000
Mr. Chu Yu Lin, David	2,700,000
	44,410,000

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 2005, 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 2005, 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:

Long positions:

Name	**Number of ordinary shares directly and beneficially held (Unaudited)**	**Percentage of the Company's issued share capital (Unaudited)**
Zhuhai Jiuzhou Port Group Corporation	235,200,000	29.44
Pioneer Investment Ventures Limited	337,000,000	42.18

In accordance with Part XV of the SFO, Zhu Kuan Group Company Limited and Zhu Kuan Company of the Zhuhai SEZ were deemed to be interested in the 337,000,000 shares of the Company held by Pioneer Investment Ventures Limited because:

— Zhu Kuan Group Company Limited (in liquidation) is the immediate holding company of Pioneer Investment Ventures Limited (in provisional liquidation); 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.

Save as disclosed above, as at 31 October 2005, 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 OF THE COMPANY

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 ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with code provisions as set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting period for the six months ended 31 October 2005, except the code provision C.2 on internal control (which is applicable to the accounting periods commencing on or after 1 July 2005) and the following deviations:

Code provision A.2.1

Under code provision A.2.1, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Previously the Company did not have a separate position for chief executive officer, and duties of which were vesting on the Deputy Chairman and Managing Director of the Company.

To comply with code provision A.2.1, the roles of the chairman and chief executive officer have been separated and the division of responsibilities between the two have been set out in writing which was approved by the Board on 16 January 2006.

Mr. Yu Huaguo is designated as the chief executive officer of the Company whereas Mr. Zhu Lifu remains as the Chairman of the Board.

Code provision A.4.1

Under code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election.

The Company's non-executive director and independent non-executive directors have not been appointed for a specific term, but are subject to retirement by rotation and re-election at annual general meetings in accordance with the bye-laws of the Company.

The Company considers that sufficient measure has been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES *(Continued)*

Code provision A.4.2

Under code provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Under the Company's previous bye-laws, which prevailed before the annual general meeting of the company held on 28 October 2005, any director appointed to fill a casual vacancy shall be subject to re-election by shareholders at the next following annual general meeting after the appointment.

The rotation of directors at the annual general meeting of the company held on 28 October 2005 was in accordance the Company's previous bye-laws which stipulate, inter-alia, that one third of the directors for the time being (or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third) shall retire from office by rotation provided that no director holding office as Chairman or Deputy Chairman or the office of Managing Director shall be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

The above deviated from the requirements of code provision A.4.2.

To fully comply with code provision A.4.2, relevant amendments to the Company's bye-laws were proposed and approved by the shareholders at the aforesaid 2005 annual general meeting of the Company, pursuant to which every director shall be subject to retirement by rotation at least once every three years at the annual general meeting in future; and any director appointed to fill a casual vacancy shall be subject to re-election by shareholders at the first general meeting after the appointment.

Code provision A.5.4

Under code provision A.5.4, the board should establish written guidelines on no less exacting terms than the Model Code as set out in Appendix 10 of the Listing Rules for relevant employees, who are likely to be in possession of the unpublished price sensitive information in relation to the Company or its securities, in respect of their dealings in the securities of the Company.

A code for Securities Transactions for relevant employees which is no less exacting terms than the Model Code has been adopted by the Board on 16 January 2006.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES *(Continued)*

Code provision B.1.1

Under code provision B.1.1, the Company should establish a remuneration committee with specific terms of reference which deal clearly with its authority and duties.

A remuneration committee with specific written terms of reference was established on 16 January 2006 in order to comply with code provision B.1.1. The remuneration committee consists of five members of whom three are independent non-executive directors.

Code provision C.3.3

Under code provision C.3.3, the terms of reference of the audit committee should include those duties as set out in the provision.

The terms of reference of the audit committee of the Company were revised on 16 January 2006 to comply with the code provision C.3.3.

Code provisions B.1.4 and C.3.4

Under code provisions B.1.4 and C.3.4, the Company should make available the terms of reference of its remuneration and audit committees on request and by including the information on the Company's website.

At present, the Company does not maintain a website. However, the terms of reference of the two committees are available upon request.

Code provision D.1.2

Under code provision D.1.2, the Company should formalize the functions reserved to the board and those delegated to the management and should review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Company.

The respective functions of the Board and the management of the Company have been formalized and set out in writing which was approved by the Board on 16 January 2006.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES *(Continued)*

Code provision E.1.2

Under code provision E.1.2, the chairman of the board should attend the annual general meeting.

The Chairman of the Board did not attend the 2005 annual general meeting due to other business engagements. The Deputy Chairman and Managing Director of the Company and all other members of the Board (including the chairman of the Audit Committee) had attended the 2005 annual general meeting to answer questions during the meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules 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 2005.

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 2005 has been reviewed by the audit committee.

INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividend (2004: Nil) for the six months ended 31 October 2005.

By Order of the Board
Zhu Lifu
Chairman

Hong Kong, 20 January 2006