

九洲發展有限公司

JIUZHOU DEVELOPMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 908)



INTERIM REPORT
2007

CONTENTS

	<i>Pages</i>
INDEPENDENT REVIEW REPORT	2
CONDENSED CONSOLIDATED INCOME STATEMENT	4
CONDENSED CONSOLIDATED BALANCE SHEET	5
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	9
NOTES TO UNAUDITED INTERIM FINANCIAL REPORT	10
MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION	25



INDEPENDENT REVIEW REPORT

Review Report to the Board of Directors of
Jiuzhou Development Company Limited
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 4 to 24 which comprises the condensed consolidated balance sheet of Jiuzhou Development Company Limited as of 30 June 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended and explanatory notes. 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 relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial report based on our review. Our report is made 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.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making inquiries, primarily of personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2007 has not been prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our conclusion, we draw attention to note 1.1 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 that note, liquidators (the "Liquidators") were appointed for a shareholder of the Company (the "Major Shareholder"), holding indirectly 337 million shares of the Company, and provisional liquidators (the "Provisional Liquidators") were appointed for another shareholder of the Company (the "Registered Shareholder"), which is a wholly-owned subsidiary of the Major Shareholder and directly holds the aforesaid 337 million shares in the Company, pursuant to various winding-up orders.

The above 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 such shares.

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.

The interim financial report has been prepared on a going concern basis, the validity of which depends upon the fulfilment of the conditions of the conditional settlement agreement concerning the Pledged Shares entered into among other parties, the Major Shareholder, the Registered Shareholder, the Chargee, the Liquidators and the Provisional Liquidators on 5 August 2006 (the "Settlement Agreement"). The fulfilment of the Settlement Agreement is in turn subject to the completion of the debt restructuring agreement entered into among other parties, the Major Shareholder, the Liquidators and the Provisional Liquidators on 5 August 2006 (the "Debt Restructuring Agreement"). The interim financial report does not include any adjustments that may be necessary should the conditions of the Settlement Agreement and the Debt Restructuring Agreement not be fulfilled, and as a direct consequence of which should any decisions be subsequently taken by the bankers, creditors, the Liquidators and/or the Provisional Liquidators 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.

Ernst & Young

Certified Public Accountants

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Hong Kong

20 September 2007

CONDENSED CONSOLIDATED INCOME STATEMENT*Six months ended 30 June 2007*

		Six months ended	
		30 June	31 October
		2007	2006
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
REVENUE	3	132,478	141,328
Cost of sales		(101,141)	(105,369)
Gross profit		31,337	35,959
Other income		20,131	29,470
Selling and distribution costs		(2,977)	(3,363)
Administrative expenses		(24,724)	(24,853)
Other operating expenses, net		(1,731)	(4,020)
Share of profit of a jointly-controlled entity		15,423	14,221
PROFIT BEFORE TAX	4	37,459	47,414
Tax	5	(4,058)	(3,654)
PROFIT FOR THE PERIOD		33,401	43,760
ATTRIBUTABLE TO:			
Equity holders of the Company		32,190	42,815
Minority interests		1,211	945
		33,401	43,760
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	6		
Basic		HK2.89 cents	HK4.19 cents
Diluted		HK2.89 cents	HK4.04 cents
DIVIDEND PER SHARE		Nil	Nil

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2007

	Notes	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		375,834	365,349
Prepaid land lease payments		194,090	195,167
Rights to use port facilities		19,682	19,122
Intangible asset		6,711	7,930
Interest in a jointly-controlled entity		99,276	80,096
Available-for-sale equity investment	7	644	619
Prepayments and deposits	8	159,359	154,752
Total non-current assets		855,596	823,035
CURRENT ASSETS			
Securities measured at fair value through profit or loss	9	134,763	120,517
Held-to-maturity investment	10	10,309	—
Inventories		2,618	2,123
Trade receivables	11	30,914	21,460
Prepayments, deposits and other receivables		72,874	21,167
Due from a jointly-controlled entity	12	3,329	3,459
Cash and cash equivalents	14	151,205	208,392
Total current assets		406,012	377,118
CURRENT LIABILITIES			
Trade payables	15	17,898	13,403
Accrued liabilities and other payables		66,681	63,911
Construction payables		2,967	4,139
Tax payable		11,507	11,872
Due to related companies	13	1,503	816
Total current liabilities		100,556	94,141
NET CURRENT ASSETS		305,456	282,977
TOTAL ASSETS LESS CURRENT LIABILITIES		1,161,052	1,106,012
NON-CURRENT LIABILITIES			
Deferred tax liabilities	16	9,737	5,842
Net assets		1,151,315	1,100,170

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)**30 June 2007*

		30 June 2007	31 December 2006
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	17	111,860	109,898
Reserves		1,030,390	982,727
		1,142,250	1,092,625
Minority interests		9,065	7,545
Total equity		1,151,315	1,100,170

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2007

	Attributable to equity holders of the Company													
	Share			Asset			Statutory		Exchange		Retained profits	Proposed dividends	Minority interests	Total equity
Share capital	premium account	Contributed surplus	Warrant reserve	Goodwill reserve	revaluation reserve	reserve funds	fluctuation reserve	reserve	reserve	profits				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2007	109,898	452,272	446,355	353	(200,573)	33,552	75,769	38,452	125,557	10,990	1,092,625	7,545	1,100,170	
Exchange realignment	—	—	—	—	—	—	—	19,199	—	—	19,199	309	19,508	
Share of reserve movement of a jointly-controlled entity	—	—	—	—	—	—	—	3,757	—	—	3,757	—	3,757	
Total income and expense for the period recognised directly in equity	—	—	—	—	—	—	—	22,956	—	—	22,956	309	23,265	
Profit for the period	—	—	—	—	—	—	—	—	32,190	—	32,190	1,211	33,401	
Total income and expense for the period	—	—	—	—	—	—	—	22,956	32,190	—	55,146	1,520	56,666	
2006 final dividend declared	—	—	—	—	—	—	—	—	(196)	(10,990)	(11,186)	—	(11,186)	
Effect on deferred tax due to change in tax rate (note 16)	—	—	—	—	—	(3,895)	—	—	—	—	(3,895)	—	(3,895)	
Warrants exercised (note 17)	1,962	8,829	—	—	—	—	—	—	—	—	10,791	—	10,791	
Share issue expenses (note 17)	—	(1,231)	—	—	—	—	—	—	—	—	(1,231)	—	(1,231)	
Transfer to statutory reserve funds	—	—	—	—	—	—	1,124	—	(1,124)	—	—	—	—	
Share of reserve movement of a jointly-controlled entity	—	—	—	—	—	—	2,702	—	(2,702)	—	—	—	—	
At 30 June 2007	111,860	459,870	446,355	353	(200,573)	29,657	79,595	61,408	153,725	—	1,142,250	9,065	1,151,315	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

Six months ended 30 June 2007

	Attributable to equity holders of the Company													
	Available-for-sale equity											Minority interests	Total equity	
	Share			Warrant reserve	Goodwill reserve	Asset revaluation		Statutory reserve	Exchange fluctuation reserve	Retained profits	Proposed dividends			Total
	Share capital	premium account	Contributed surplus			revaluation reserve	revaluation reserve					investment reserve	funds	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 May 2006	84,218	378,515	446,355	353	(200,573)	36,613	3,101	71,102	20,414	109,709	42,109	991,916	12,122	1,004,038
Disposal of available-for-sale equity investment	—	—	—	—	—	—	(3,101)	—	—	—	—	(3,101)	—	(3,101)
Exchange realignment	—	—	—	—	—	—	—	—	8,315	—	—	8,315	117	8,432
Share of reserve movement of a jointly-controlled entity	—	—	—	—	—	—	—	—	1,700	—	—	1,700	—	1,700
Total income and expense for the period recognised directly in equity	—	—	—	—	—	—	(3,101)	—	10,015	—	—	6,914	117	7,031
Profit for the period	—	—	—	—	—	—	—	—	—	42,815	—	42,815	945	43,760
Total income and expense for the period	—	—	—	—	—	—	(3,101)	—	10,015	42,815	—	49,729	1,062	50,791
2006 final dividend declared	—	—	—	—	—	—	—	—	—	(12,640)	(42,109)	(54,749)	—	(54,749)
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(5,843)	(5,843)
Issuance of warrants	—	—	—	11	—	—	—	—	—	—	—	11	—	11
Warrants exercised (note 17)	9,300	41,851	—	—	—	—	—	—	—	—	—	51,151	—	51,151
Share options exercised (note 17)	15,980	31,161	—	—	—	—	—	—	—	—	—	47,141	—	47,141
Share issue expenses (note 17)	—	(1,022)	—	—	—	—	—	—	—	—	—	(1,022)	—	(1,022)
Transfer to statutory reserve funds	—	—	—	—	—	—	—	1,923	—	(1,923)	—	—	—	—
Share of reserve movement of a jointly-controlled entity	—	—	—	—	—	—	—	2,466	—	(2,466)	—	—	—	—
At 31 October 2006	109,498	450,505	446,355	364	(200,573)	36,613	—	75,491	30,429	135,495	—	1,084,177	7,341	1,091,518

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June 2007

		Six months ended	
		30 June	31 October
		2007	2006
Note	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
NET CASH INFLOW/(OUTFLOW) FROM:			
Operating activities		24,935	25,421
Investing activities		(80,064)	(60,148)
Financing activities		(1,626)	97,281
Net increase/(decrease) in cash and cash equivalents		(56,755)	62,554
Cash and cash equivalents at beginning of period		198,465	71,297
Effect of foreign exchange rate changes, net		3,495	862
Cash and cash equivalents at end of period		145,205	134,713
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	145,205	134,713

NOTES TO UNAUDITED INTERIM FINANCIAL REPORT*30 June 2007***1.1 CORPORATE INFORMATION AND BASIS OF PRESENTATION**

By an order of the High Court of the Hong Kong Special Administrative Region (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. Both Zhu Kuan Macau and Zhu Kuan (HK) were the then controlling shareholders of the Company.

337 million shares of the Company are registered in the name of and are 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 (the "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. In addition, a winding-up order was granted by the High Court against Zhu Kuan (HK). Liquidators (the "Liquidators") have been appointed in respect of the two winding-up orders.

The 337 million shares attributable to PIV (the "PIV Charged Shares") have been pledged to Longway Services Group Limited ("Longway"), a wholly-owned subsidiary of Zhuhai Jiuzhou Port Group Corporation ("Zhuhai Jiuzhou Port Group"), a substantial shareholder of the Company, the 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 the security conferred to it by the share charge. The Provisional Liquidators however consider that due to the petitions, the transfer of the PIV Charged Shares cannot be effected.

On 5 August 2006, (1) a debt restructuring agreement (the "Debt Restructuring Agreement") was made between, among other parties, Zhu Kuan Macau, Zhu Kuan (HK), the Liquidators and 珠海市國源投資有限公司 ("Zhuhai Guoyuan"), and (2) a conditional settlement agreement (the "Settlement Agreement") was made between, among other parties, Zhu Kuan Macau, PIV, Longway and the Liquidators. Upon the completion of the Debt Restructuring Agreement, which should be completed within 18 months from 5 August 2006 unless otherwise agreed by the parties to the Debt Restructuring Agreement, Zhuhai Guoyuan will take full ownership of the assets of Zhu Kuan Macau and Zhu Kuan (HK) and their respective winding-up petitions will be removed. Pursuant to the Settlement Agreement, Longway and the Liquidators agreed that the legal proceedings between both parties for the transfer of the PIV Charged Shares will be stayed until the completion of the Debt Restructuring Agreement, following which Longway will be able to enforce its rights over the PIV Charged Shares.

1.1 CORPORATE INFORMATION AND BASIS OF PRESENTATION *(Continued)*

The above pledges 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 30 June 2007 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 (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 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 18 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 August 2006.

This interim financial report of the Group has been prepared in the assumption that the Group will continue to operate as a going concern for the foreseeable future.

The directors of the Company believed that entering into the Debt Restructuring Agreement with the Liquidators is a significant step towards to the resolution of the legal proceedings faced by Zhu Kuan Macau and Zhu Kuan (HK). However, up to the date of this interim financial report, the directors of the Company cannot give absolute assurance that the future business and financial operations of the Group will not be significantly affected if the conditions of the Settlement Agreement are not fulfilled which is in turn subject to the completion of the Debt Restructuring Agreement.

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 interim financial report.

Pursuant to a resolution passed by the board of directors of the Company on 24 August 2006, the Company's financial year end date was changed from 30 April to 31 December. Accordingly, this unaudited interim financial report covered the six months ended 30 June 2007. The comparative amounts for the condensed consolidated income statement and related notes which covered the six months ended 31 October 2006 may not be directly comparable due to seasonal fluctuations in the businesses of the Group.

1.2 ACCOUNTING POLICIES

The interim financial report of the Group for the six months ended 30 June 2007 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of this interim financial report is the same as those used in the financial statements for the eight months ended 31 December 2006, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) as disclosed in note 1.3 to the interim financial report.

1.3 CHANGES IN ACCOUNTING POLICIES

1.3.1 Impact of new and revised HKFRSs

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised HKFRSs which are generally effective for accounting periods beginning on or after 1 January 2007.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The principal impacts are as follows:

The revised HKAS 1 affects the disclosures of qualitative information about the Group’s objective, policies and processes for managing capital; quantitative data about what the Group regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

The HKFRS 7 requires disclosures that enable users of the interim financial report to evaluate the significance of the Group’s financial instruments and the nature and extent of risks arising from those financial instruments.

The HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.

The HK(IFRIC)-Int 10 states that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

The adoption of these new and revised standards and interpretations has had no material impact on this interim financial report.

1.3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

1.3.2 Impact of issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in this interim financial report.

HKFRS 8	Operating Segments
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 "Segment Reporting".

HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that the adoption of HKFRS 8 may result in new or amended disclosures. The Group is not yet in a position to state whether the other new and revised HKFRSs would have a significant impact on the results of operations and financial position of the Group.

2. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

The following table presents revenue and results for the Group's primary segments.

	Hotel		Tourist attraction		Provision of port facilities and ticketing services		Corporate and others		Condensed consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30 June	31 October	30 June	31 October	30 June	31 October	30 June	31 October	30 June	31 October
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:										
Sales to external customers	80,859	85,892	26,473	34,101	25,146	21,335	—	—	132,478	141,328
Segment results	(71)	731	(3,214)	6,161	13,738	10,880	7,706	12,380	18,159	30,152
Interest income									3,877	3,041
Share of profits less losses of a jointly-controlled entity	—	—	—	—	15,423	14,221	—	—	15,423	14,221
Profit before tax									37,459	47,414
Tax									(4,058)	(3,654)
Profit for the period									33,401	43,760

3. REVENUE

The Group's revenue 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 BEFORE TAX

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

	Six months ended	
	30 June	31 October
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	12,020	12,836
Cost of services provided	89,121	92,533
Amortisation of prepaid land lease payments	3,698	3,553
Amortisation of rights to use port facilities	296	284
Impairment of intangible asset	1,531	2,451
Depreciation	16,326	14,354
Loss on disposal of an associate	—	1,150
Fair value gains on securities measured at fair value through profit or loss, net	(1,172)	(8,869)
Gain on disposal of available-for-sale equity investment	—	(3,101)
Gain on disposals of securities measured at fair value through profit or loss	(4,999)	(4,703)
Exchange gains, net	(5,296)	(3,117)
Gross and net rental income	(4,548)	(4,800)
Interest income	(3,877)	(3,041)

5. TAX

	Six months ended	
	30 June	31 October
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current period provision:		
Hong Kong	—	—
Elsewhere	4,058	3,654
	4,058	3,654

Hong Kong profits tax has not been provided because the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 31 October 2006: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the tax jurisdictions in which the Group operates, based on existing legislation and interpretations and practices in respect thereof.

The share of tax attributable to a jointly-controlled entity amounting to HK\$3,468,000 (six months ended 31 October 2006: HK\$2,676,000) is included in the share of profit of a jointly-controlled entity on the face of the condensed consolidated income statement.

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the profit for the period of HK\$32,190,000 (six months ended 31 October 2006: HK\$42,815,000), and the weighted average number of 1,112,204,530 (six months ended 31 October 2006: 1,021,307,446) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period is based on the profit for the period of HK\$32,190,000 and the weighted average number of ordinary shares used in the calculation is 1,112,204,530 ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of 3,285,612 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all warrants outstanding during the period.

7. AVAILABLE-FOR-SALE EQUITY INVESTMENT

	As at 30 June 2007 HK\$'000 (Unaudited)	As at 31 December 2006 HK\$'000 (Audited)
Unlisted equity investment, at cost	644	619

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

8. PREPAYMENTS AND DEPOSITS

Included in the balance was deposits paid by the Group for certain proposed transactions as detailed below.

- (a) On 29 December 2006, the Group and Zhuhai Guoyan entered into a conditional sale and purchase agreement (the "Land Agreement") for the acquisition of several parcels of land currently leased to the Group where certain building structures of the Hotel Business were erected (the "Hotel Land") for an aggregate cash consideration of RMB90.9 million. The Group had paid a refundable deposit of RMB78 million (equivalent to HK\$80.4 million) to Zhuhai Guoyan for this purpose.

Pursuant to the Land Agreement, the acquisition of the Hotel Land is conditional upon the completion of the Debt Restructuring Agreement. If the completion of the above land acquisition is not completed by 16 April 2008 or other later date as agreed, the Group has the right to terminate the transaction and demand full refund of the deposit, together with the interest calculated at the prevailing PRC bank borrowing rate from 29 December 2006, from Zhuhai Guoyan. Details of the Land Agreement, which constituted a connected party transaction under The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, was announced by the Company in a press announcement dated 26 January 2007.

8. PREPAYMENTS AND DEPOSITS *(Continued)*

- (b) On 5 July 2006 and 29 December 2006, the Group entered into a letter of intent and a supplementary letter of intent (collectively the "Intent Letters"), respectively, with the State-owned Assets Supervision and Administration Commission of Zhuhai Municipal Government (珠海市國資委) ("SASAC"). Pursuant to the Intent Letters, the Group had paid refundable deposits in aggregate of RMB72 million (equivalent to HK\$74.2 million) to SASAC for the acquisition of the certain equity interests in a PRC company from SASAC. Pursuant to the Intent Letters, the deposit, together with interest calculated at prevailing PRC bank borrowing rate from 5 January 2007, will be refunded to the Group should no formal agreement is entered into on or before 4 July 2007.

Subsequent to the balance sheet date, the deposit paid together with the interest thereon was refunded to the Group as no formal agreement was entered into with SASAC on or before 4 July 2007. Further details of the above was announced by the Company in an announcement dated 13 July 2007.

9. SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2007 HK\$'000 (Unaudited)	As at 31 December 2006 HK\$'000 (Audited)
Held-for-trading:		
Listed equity investments in Hong Kong, at fair value	11,567	—
Listed debt investments in the PRC, at fair value	—	60,329
Quoted investments in the PRC, at fair value	108,248	—
Unlisted investments in the PRC, at fair value [#]	14,948	—
	134,763	60,329
Designated as securities measured at fair value through profit or loss:		
Unlisted debt investments in the PRC	—	60,188
	134,763	120,517

- [#] The fair values of the unlisted investments were determined with reference to recent market transactions.

10. HELD-TO-MATURITY INVESTMENT

	As at 30 June 2007 HK\$'000 (Unaudited)	As at 31 December 2006 HK\$'000 (Audited)
Unlisted debt investment in the PRC, at amortised cost	10,309	—

The effective interest rate of the held-to-maturity investment is 3% per annum.

11. 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. In view of the aforementioned, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	As at 30 June 2007 HK\$'000 (Unaudited)	As at 31 December 2006 HK\$'000 (Audited)
Current to 3 months	11,971	9,956
4 to 6 months	2,991	334
7 to 12 months	3,122	762
Over 12 months	12,830	10,408
	30,914	21,460

As at 30 June 2007, 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\$18,767,000 (31 December 2006: HK\$15,327,000). 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.

The carrying amounts of trade receivables approximate to their fair values.

12. DUE FROM A JOINTLY-CONTROLLED ENTITY

The amount due from a jointly-controlled entity is unsecured, interest-free, and has no fixed term of repayment.

13. BALANCES WITH RELATED COMPANIES

Particulars of amounts due from related companies are as follows:

Name	Relationship	As at 30 June 2007 HK\$'000 (Unaudited)	As at 31 December 2006 HK\$'000 (Audited)
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
		5,856	5,856
Impairment		(5,856)	(5,856)
		—	—

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

14. CASH AND CASH EQUIVALENTS

	As at 30 June 2007 HK\$'000 (Unaudited)	As at 31 December 2006 HK\$'000 (Audited)
Cash and bank balances	145,205	173,431
Time deposits with original maturity:		
Within three months	—	25,034
Over three months	6,000	9,927
	151,205	208,392

The carrying amounts of cash and cash equivalents approximate to their fair values.

15. TRADE PAYABLES

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

	As at 30 June 2007 HK\$'000 (Unaudited)	As at 31 December 2006 HK\$'000 (Audited)
Current to 3 months	14,148	9,368
4 to 6 months	743	178
7 to 12 months	394	291
Over 12 months	2,613	3,566
	17,898	13,403

The carrying amounts of trade payables approximate to their fair values.

16. DEFERRED TAX LIABILITIES

	Revaluation of leasehold buildings HK\$'000
31 October 2006	
At 1 May 2006 and 31 October 2006	6,299
30 June 2007	
At 1 January 2007	5,842
Effect on deferred tax due to change in tax rate	3,895
At 30 June 2007	9,737

On 16 March 2007, the National People's Congress approved the CIT Law of the PRC (the "New CIT Law"), which will become effective from 1 January 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the CIT rate for domestic and foreign investment enterprises at a rate of 25%. This change in the CIT rate will directly affect the Group's effective tax rate prospectively from 2008. According to HKAS 12 "Income taxes", deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The Group, with reference to the above, has increased the deferred tax liabilities by HK\$3,895,000 as at 30 June 2007. The corresponding adjustment was charged against the asset revaluation reserve.

16. DEFERRED TAX LIABILITIES *(Continued)*

At the date of approval of this interim financial report, detailed implementation and administrative requirements relating to the New CIT Law have yet to be announced. These detailed requirements include regulations concerning the computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions. The Group will further evaluate the impact on its operating results and financial positions of future periods as more detailed requirements are issued.

17. SHARE CAPITAL

	As at 30 June 2007 HK\$'000 (Unaudited)	As at 31 December 2006 HK\$'000 (Audited)
Shares		
Authorised:		
2,000,000,000 shares of HK\$0.10 each	200,000	200,000
Issued and fully paid:		
1,118,600,000 (31 December 2006):		
1,098,980,000) shares of HK\$0.10 each	111,860	109,898

During the six months ended 30 June 2007, 19,620,000 warrants were exercised at a subscription price of HK\$0.55 each resulting in the issue of 19,620,000 shares of HK\$0.10 each for a total cash consideration of approximately HK\$10,791,000, before issue expenses.

During the six months ended 31 October 2006, the movements in the share capital of the Company were as follows:

- (i) 9,588,000 shares were issued to those warrants holders who had fully paid up the share subscription money for the exercise of 9,588,000 warrants immediately prior to 30 April 2006;
- (ii) 159,800,000 share options were exercised at an average subscription price of HK\$0.295 each resulting in the issue of 159,800,000 shares of HK\$0.10 each for a total cash consideration of approximately HK\$47,141,000, before issue expenses; and
- (iii) 93,002,000 warrants were exercised at a subscription price of HK\$0.55 each resulting in the issue of 93,002,000 shares of HK\$0.10 each for a total cash consideration of approximately HK\$51,151,000, before issue expenses.

17. SHARE CAPITAL (Continued)

A summary of the transactions during the period with reference to the above movements in the Company's share capital is as follows:

	Number of shares	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 May 2006	832,590,000	84,218	378,515	462,733
Warrants exercised:				
Shares fully paid before 30 April 2006 but issued in May 2006	9,588,000	—	—	—
Shares fully paid and issued	93,002,000	9,300	41,851	51,151
	102,590,000	9,300	41,851	51,151
Share options exercised:				
Shares fully paid and issued	159,800,000	15,980	31,161	47,141
Share issue expenses	—	—	(1,022)	(1,022)
At 31 October 2006	1,094,980,000	109,498	450,505	560,003
At 1 January 2007	1,098,980,000	109,898	452,272	562,170
Warrants exercised:				
Shares fully paid and issued	19,620,000	1,962	8,829	10,791
Share issue expenses	—	—	(1,231)	(1,231)
At 30 June 2007	1,118,600,000	111,860	459,870	571,730

18. 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	Six months ended	
			30 June 2007 HK\$'000 (Unaudited)	31 October 2006 HK\$'000 (Unaudited)
Zhuhai Holiday Resort Co., Ltd. (the "ZH Resort")	(i)	Rental expense	4,355	4,403
Ferry Company	(ii)	Port service fees	16,314	15,686
Zhuhai Jiuzhou Port Group Corporation	(iii)	Rental expenses	1,914	1,839
China Marine Bunker Supply Company Jiuzhou Branch	(iv)	Diesel fuel expenses	1,611	699

Notes:

- (i) The rental expense paid to ZH Resort was calculated based on the tenancy agreement.
- (ii) Jiuzhou Port Company, a subsidiary of the Company, received agency commission fees and service fees for acting as an agent in the sale of ferry tickets to passengers and for the provision of management services for the berthing facilities at the Jiuzhou Port in Zhuhai to Ferry Company, a jointly-controlled entity. The service fees are 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, which is a substantial shareholder of the Company and the major shareholder of the Ferry Company, were calculated by reference to the respective tenancy agreements.
- (iv) The diesel fuel expenses paid to China Marine Bunker Supply Company Jiuzhou Branch, which is a subsidiary of Zhuhai Jiuzhou Port Group Corporation, were calculated with reference to the diesel fuel supply agreement.

19. CONTINGENT LIABILITIES

At the balance sheet date, the Group had no significant contingent liabilities (31 December 2006: Nil).

20. 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 30 June 2007 HK\$'000 (Unaudited)	As at 31 December 2006 HK\$'000 (Audited)
Within one year	12,758	12,900
In the second to fifth year, inclusive	40,376	39,893
After five years	293,677	286,804
	346,811	339,597

21. COMMITMENTS

In addition to the operating lease commitments detailed in note 20 above, the Group had the following commitments as at the balance sheet date:

	As at 30 June 2007 HK\$'000 (Unaudited)	As at 31 December 2006 HK\$'000 (Audited)
Capital commitments contracted for:		
Acquisition of items of property, plant and equipment	7,369	352
Acquisition of the Hotel Land	13,299	12,900
	20,668	13,252

22. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, on 13 July 2007, the deposit of RMB72 million paid by the Group in relation to the proposed acquisition of a PRC company as further detailed in note 8(b) together with the related interest thereon was refunded to the Group by SASAC.

23. APPROVAL OF THE INTERIM FINANCIAL REPORT

This unaudited interim financial report was approved and authorised for issue by the board of directors on 20 September 2007.

MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION

Business Review

Pursuant to the resolution passed at the board of directors' meeting ("Board") of Jiuzhou Development Company Limited ("Company") on 24 August 2006, the financial year end date of the Company was changed from 30 April to 31 December. The purpose of this change is to make the financial year end date of the Company to be in line with the financial year end of its major operating subsidiaries in Mainland China. In this regard, the interim financial report for this period is prepared based on the six months period from 1 January 2007 to 30 June 2007. However, the comparative figures set forth in the condensed consolidated income statement and the relevant notes which were prepared for the six months ended 31 October 2006 may not be directly comparable due to seasonal reason.

The unaudited consolidated income of the Group for the six months ended 30 June 2007 was HK\$132,478,000, with an unaudited net profit attributable to shareholders of HK\$32,190,000, a decrease of approximately 6% and 25% respectively when compared with the six months ended 31 October 2006 ("the Period Last Year"). During the period under review, the overall operating environment and business of the Group had no major change when compared with the Period Last Year. By benefiting from the continuous prosperous development of the domestic tourist industry and flexible operating strategies coupled with full resources rationalisation by the enterprises, the port transportation business had recorded a double-digit growth rate. The hotel and tourist attraction businesses however, were affected by seasonal factors; and the change in the financial year end date had led to a difference between the results of the period and the Period Last Year due to difference in the periods covered, and therefore makes the comparison not meaningful. In general, the hotel and tourist attraction businesses are more prosperous in the second half of year (mainly from July to December) than its first. This is particularly true for the Fantasy Water World under the Group where the operating results only covered the first two months during the period under review and whereas, a six-month operating results for the Period Last Year. The results of Fantasy Water World for the period had decreased more than HK\$6,000,000 in its profit contribution solely because of this factor when compared with the Period Last Year. Moreover, during the period under review, affected by the fluctuations in Hong Kong stock market, gains from investments in securities decreased by approximately HK\$7,400,000 plus the realisation of an impairment in investment of approximately HK\$3,000,000 in the Period Last Year while there was none for the period. Hence, the decrease in gains from investments in securities and the seasonal factor are the major reasons contributed to the decrease in net profit for the period.

MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION *(Continued)***1. Port Transportation Business**

As the marine passenger transportation business is continuously benefiting from the opening up of individual visits to Hong Kong and Macau and the full opening of Ocean Spring Resort in Zhuhai, they attracted lots of tourists from Mainland China and Hong Kong to have leisure tours in Zhuhai. During the period under review, the number of passenger trips of ferry services between Zhuhai and Hong Kong, and Zhuhai and Shekou, operated by Zhuhai High-Speed Passenger Ferry Co., Ltd. ("Ferry Company") were approximately 805,000 and 282,000 respectively, representing a growth of approximately 17% and 13% respectively when compared with the Period Last Year. It was, on one hand, attributable to the expansion of the fleet capacity by the management, and on the other hand, the sales strategy of launching a series of ticket price concessions to groups and individuals and resulted a surge in the number of tourists. The overall sales income had reached over 20% growth when compared with the Period Last Year. As for the port business, the sales income of the ticket agency business and the utilisation of pier facilities of Zhuhai Jiuzhou Port Passenger Traffic Service Co., Ltd. ("Jiuzhou Port Company") was increased by approximately 18% when compared with the Period Last Year. This was mainly due to the increase in port passengers of ferry services between Zhuhai and Hong Kong, and Zhuhai and Shekou by approximately 15% and 10% respectively when compared with the Period Last Year.

2. Hotel Business

During the period under review, the average occupancy rate of our hotel room was approximately 59%, which remained at similar level when compared with the Period Last Year. During the period under review, as a result of the massive marketing campaigns by the hotel management and the additional accommodation income from room rental at Tian Hai Lou during the Lunar Chinese New Year, the accommodation and relevant services income of the resort hotel had recorded a 10% increase when compared with the Period Last Year. However, as for the travel agency business operated by the hotel as well as its sales in food and beverages, it would be prosperous in the second half of the year when measured the whole year performance in general, mainly due to seasonal factors. As there is a change in the financial year end date, the peak and low season months covered are different between the period this year and that in the Period Last Year, which led to a lackluster result when compared with the Period Last Year. However, in general, the overall result of the Hotel Business during the year under review had sustained stable development.

MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION *(Continued)***3. New Yuanming Palace and Fantasy Water World**

During the period under review, the number of visitors of New Yuanming Palace was approximately 404,000, an increase of approximately 12% when compared with the Period Last Year. This was mainly due to the adjustment of its operating strategy by reducing the average ticket price in order to enhance its sources of visitors. Also, during the period, New Yuanming Palace had held its New Yuanming Palace Tenth Anniversary Celebration Activities and other joint-marketing activities with mobile communications companies and increased its sources of visitors. The management had also enhanced its focus in the strategies of developing corporate, student groups and senior citizen group visitors as well as the marketing of various programmes to attract more tourists to the Palace.

The operating season of Fantasy Water World is from May to October, a total of six operating months in every year which does not open to public in other months because of weather. As a result of the change in financial year end date, the operating result of the period had only accounted for the operation of the first two months in May and June (the number of visitors were approximately 74,000); whereas the Period Last Year covered the whole operating season (the number of visitors were approximately 274,000). Hence, the results of Fantasy Water World in the period had decreased by over HK\$6,000,000 when compared with the Period Last Year. This was mainly due to seasonal factors as well as the effect of different accounting period covered.

4. Others

During the period under review, as the stock market in Hong Kong fluctuated tremendously and did not have the fervent market sentiment same as the Period Last Year, the management of the Company, therefore, had adopted a more cautious investment strategy which led to a decrease in gain in investment in securities of HK\$7,400,000 during the period when compared with the Period Last Year. Moreover, a sum of approximately HK\$3,000,000 was realised in the Period Last Year for the investment provision being provided in previous years and there was no such sum during the period. Hence, the overall gain in investment in securities for the period was decreased by HK\$10,400,000 when compared with the Period Last Year.

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

Looking forward to the development in the second half of the year, it is expected that the existing businesses of the Group will sustain stable growth. To increase the attraction and enhance the reputation of the hotel under the listed Group, its management will further decorate and renovate certain villas district and the exterior of main buildings of the hotel, gradually improve the facilities of the rooms to upgrade the hotel image. In addition, the Group will expand its collaboration with travel agencies in marketing its hotel room service plan to increase the market share. Moreover, with regard to the overall hotel land utilisation and restructuring, the management had engaged a internationally renowned consulting company to carry out the master plan and design works and is expected to complete the master plan and design by the end of this year or early next year. Both the New Yuanming Palace and Fantasy Water World will enhance the operation of food and beverages and other sales services to encourage visitors to increase their spending. On the other hand, the management had also engaged a consulting company to devise a land utilisation plan and/or restructuring of New Yuanming Palace to improve its efficiency.

As for the marine passenger transportation business, in early July this year, the Ferry Company had also launched the ferry service between Zhuhai and Hong Kong International Airport, realising the provision of sea, land and air combination transportation services. This had greatly strengthened the transportation network link among Zhuhai, West Pearl Delta Region and Hong Kong and a new growing point of the Group. The Ferry Company will continue to explore other new ferry services to strengthen its leading position in the marine passenger transportation business. As the Mainland China economy continues to grow and the prosperous development of the Zhuhai tourist industry, the Directors believe the marine passenger transportation business will maintain sustained growth.

On 29 December 2006, the Group had entered an extension agreement ("Extension Agreement") with the State-owned Assets Supervision and Administration Commission of Zhuhai Municipal Government ("SASAC") to extend the expiry date of a letter of intent ("Letter of Intent") entered into by the same parties on 5 July 2006 in respect of the proposed acquisition of certain equity interest in a Chinese Company, which is principally engaged in racing track, golf club and property development businesses in Zhuhai. In the event that no relevant agreement of the proposed acquisition was entered on or before 4 July 2007 and no relevant government approval was obtained regarding the above transaction, the SASAC shall return to the Group the entire amount of the paid earnest money of RMB72,000,000 together with the relevant interest. As the Group and SASAC did not enter into a legally binding formal agreement, the said amount of the earnest money was refunded entirely to the Group in July this year, together with interest. For details, please refer to the announcement of the Company dated 13 July 2007.

The Group will continue to explore potential business opportunities to broaden its profit base and to rationalise its internal resources, open up more businesses efficiently with the objective to bring better returns to 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 30 June 2007, the Group has no outstanding banking borrowings (31 December 2006: Nil). The Group's cash and bank balances and short term bank deposits as at 30 June 2007 amounted to approximately HK\$151.2 million (31 December 2006: HK\$208.4 million), of which approximately HK\$123.6 million (31 December 2006: HK\$114.2 million) were denominated in Renminbi and the remaining were all in Hong Kong Dollars. In addition, the Group held short term investments in financial instruments of approximately HK\$145.1 million as at 30 June 2007 (31 December 2006: HK\$120.5 million) of which approximately HK\$133.5 million were denominated in Renminbi (31 December 2006: HK\$120.5 million) and the remaining were all in Hong Kong Dollars (31 December 2006: Nil). The short term financial instruments comprised mainly investment in very low risk debt instruments, money market funds and Hong Kong listed securities with a view to enhance the Group's return on the surplus working capital. Since the Group has no outstanding banking borrowings as at 30 June 2007 and 31 December 2006 respectively, and based on the total bank borrowings in relation to shareholders' fund, the Group's gearing ratio as at 30 June 2007 and 31 December 2006 respectively was zero.

Contingent Liabilities

As at 30 June 2007, the Group had no significant contingent liabilities.

Future plans for material investments or capital assets

As at 30 June 2007, the Group had no future plans for material investments or capital assets except for those disclosed under the heading "Management Discussion and Analysis — Prospects" as stated aforesaid.

Foreign Exchange Exposure

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

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

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

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

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

During the period, 19,620,000 ordinary shares of HK\$0.10 each were issued pursuant to the exercise of the Company's warrants for a total cash consideration, before issue expenses, of approximately HK\$10.8 million. As at 30 June 2007, all warrants issued in April 2006 were fully exercised. Out of the total raised net proceeds, approximately HK\$5.5 million were utilised and the remaining unutilised sums were principally placed as cash at bank, short-term debt instruments and listed securities temporarily.

As at 30 June 2007, the number of issued ordinary shares was 1,118,600,000 shares in aggregate and the shareholders' equity of the Group was approximately HK\$1,142.3 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 for the eight months ended 31 December 2006.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the headings "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 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 the 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, is 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 offer, upon the 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 10 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 share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as quoted on the Stock Exchange on the date of grant of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the grant; 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.

As at 30 June 2007, no share options were outstanding and no share options were granted or exercised under the Scheme during the period.

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2007, 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 of 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 shares of the Company

Ordinary Shares of HK\$0.10 each of the Company:

Name of directors	Number of shares directly and beneficially owned
Mr. Zhu Lifu	2,250,000
Mr. Gu Zengcai	1,000,000
Mr. Jin Tao	1,970,000
Mr. Yu Huaguo	2,160,000
Mr. Wu Hanqiu	1,500,000
Mr. Hui Chiu Chung, Stephen	500,000
Mr. Chu Yu Lin, David	2,700,000
Mr. Albert Ho	90,000
	<u>12,170,000</u>

Save as disclosed above, as at 30 June 2007, 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 30 June 2007, 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 ordinary shares (Unaudited)
Zhuhai Jiuzhou Port Group Corporation	235,200,000	21.03%
Pioneer Investment Ventures Limited*	337,000,000	30.13%

* 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 30.13% 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 30 June 2007, 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 under review.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the latest corporate governance report (the "CG Report") which was published in our 2006 Annual Report dated 23 April 2007, it was reported that the Company had complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "CG Code") save for certain deviations specified and explained therein. Since the beginning of the period under review, the Group has made the following changes in respect of such deviations:

1. Under Code Provisions B.1.4 and C.3.4, the Company should make available the terms of reference of the Remuneration Committee and the Audit Committee respectively on request and by including the information on the Company's website. The Company has deviated from this provision as the Company did not have its own website and therefore cannot put such information on the Company's websites. During the period, the Company has finally set up its own website and posted the terms of reference of the aforesaid two Committees on its website.
2. Under Code Provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. The Company has deviated from this provision in that the Company's non-executive director and independent non-executive directors are not appointed for a specific term, but are subject to retirement by rotation once every three years and any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment pursuant to the Company's Bye-laws.

Save as disclosed above, the Company had complied with the code provisions set out in the CG Code during the six months ended 30 June 2007.

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 Listing Rules as the code of conduct regarding directors' securities transactions. All directors of the Company have confirmed, immediately 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 30 June 2007.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG 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 30 June 2007 has been reviewed by the audit committee and the Company's auditors, Ernst & Young.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend (six months ended 31 October 2006: Nil) for the six months ended 30 June 2007.

By Order of the Board
Zhu Lifu
Chairman

Hong Kong, 20 September 2007