

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.



22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

28 February 2014

The Directors
Haichang Holdings Ltd.
BNP Paribas Securities (Asia) Limited
Merrill Lynch Far East Limited

Dear Sirs,

We set out below our report on the financial information of 大連海昌發現王國主題公園有限公司 (“Discoveryland”) comprising the statements of profit or loss and comprehensive income, statements of changes in equity and statements of cash flows of Discoveryland for each of the three years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013 (the “Relevant Periods”), and the statements of financial position of Discoveryland as at 31 December 2010, 2011 and 2012 and 30 September 2013, together with the notes thereto (the “Discoveryland Financial Information”), and the comparative statements of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows of Discoveryland for the nine months ended 30 September 2012 (the “Discoveryland Interim Comparative Information”), prepared on the basis of presentation set out in note 1.3 of Section II below, for inclusion in the prospectus of Haichang Holdings Ltd dated 28 February 2014 (the “Prospectus”) in connection with the listing of the shares of Haichang Holdings Ltd. on the Main Board of The Stock Exchange of Hong Kong Ltd. (the “Stock Exchange”).

Discoveryland was established in the People’s Republic of China (the “PRC”) as a sino-foreign equity joint venture enterprise on 28 May 2012. The principal activities of Discoveryland are the operation of an entertainment theme park, sale of goods, restaurant and hotel operations.

Pursuant to an agreement entered into on 24 September 2013 between Haichang Holding (Asia) Ltd. (“Haichang Asia”), Orix Investment (China) Co., Ltd. (“Orix China”), 大連海昌集團有限公司 (“Haichang Group”) and Haichang Holdings (Hong Kong) Ltd. (“Haichang Holding HK”), as detailed in the paragraph headed “Our Reorganization” in the section of “History, Reorganization and Corporate Structure” in the Prospectus, Haichang Holding HK, a subsidiary of Haichang Holding Limited, will acquire the entire equity interest in Discoveryland.

Prior to its establishment, Discoveryland is a branch of 大連海昌企業發展有限公司 (“Haichang Corporation Development”) carrying out its operations. Pursuant to a demerger exercise as approved by the local government authorities, Discoveryland was demerged from Haichang Corporation Development and registered as a separate legal entity.

No statutory financial statements of Discoveryland has been audited for the year ended 31 December 2012 as it was newly established in 2012.

For the purpose of this report, the directors of Discoveryland have prepared the Discoveryland's financial statements for each of the Relevant Periods (the "Discoveryland Underlying Financial Statements") as if Discoveryland had been established since the beginning of the Relevant Periods. The Discoveryland Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. The Discoveryland Underlying Financial Statements for each of the three years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013 were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

The Discoveryland Financial Information set out in this report has been prepared from the Discoveryland Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The directors of Discoveryland are responsible for the preparation of the Discoveryland Underlying Financial Statements, the Discoveryland Financial Information and the Discoveryland Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of the Discoveryland Underlying Financial Statements, the Discoveryland Financial Information and the Discoveryland Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion and a review conclusion on the Discoveryland Financial Information and the Discoveryland Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Discoveryland Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

We have also performed a review of the Discoveryland Interim Comparative Information in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the IAASB. A review consists principally of making enquiries of management and applying analytical procedures to the financial information 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 and 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 opinion on the Discoveryland Interim Comparative Information.

Opinion in respect of the Discoveryland Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 1.3 of Section II below, the Discoveryland Financial Information gives a true and fair view of the state of affairs of Discoveryland as at 31 December 2010, 2011, and 2012 and 30 September 2013 and of the results and cash flows of Discoveryland for each of the Relevant Periods.

Review conclusion in respect of the Discoveryland Interim Comparative Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Discoveryland Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Discoveryland Financial Information.

I. FINANCIAL INFORMATION

Statements of profit or loss and comprehensive income

	Notes	Year ended 31 December			Nine months ended 30 September	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
REVENUE	5	150,128	183,603	189,332	174,741	196,710
Cost of sales		(117,737)	(123,346)	(136,419)	(114,119)	(118,138)
GROSS PROFIT		32,391	60,257	52,913	60,622	78,572
Other income	6	5,380	9,788	7,418	1,486	1,838
Selling and marketing expenses		(13,498)	(12,533)	(13,247)	(11,111)	(10,690)
Administrative expenses		(20,919)	(32,528)	(29,460)	(18,434)	(22,248)
Other expenses		(155)	(260)	(249)	(161)	(158)
PROFIT BEFORE TAX .	7	3,199	24,724	17,375	32,402	47,314
Income tax expense	10	(20)	–	(2,300)	(6,057)	(11,783)
PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>3,179</u>	<u>24,724</u>	<u>15,075</u>	<u>26,345</u>	<u>35,531</u>
Attributable to:						
Owners of the parent . . .		<u>3,179</u>	<u>24,724</u>	<u>15,075</u>	<u>26,345</u>	<u>35,531</u>

I. FINANCIAL INFORMATION (continued)

Statements of financial position

	Notes	As of 31 December			As of
		2010	2011	2012	30 September
		RMB'000	RMB'000	RMB'000	2013
					RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	11	744,050	704,150	684,489	651,773
Prepaid land lease payments	12	61,901	59,985	57,990	56,494
Intangible assets	13	7,330	6,490	8,672	7,803
Total non-current assets		813,281	770,625	751,151	716,070
CURRENT ASSETS					
Inventories	14	6,677	6,631	5,878	8,457
Due from fellow subsidiaries	18,24(b)	–	–	–	9,329
Trade receivables	15	1,003	256	798	5,179
Prepayments, deposits and other receivables	16	5,165	9,023	3,232	4,091
Cash and cash equivalents	17	21,932	2,388	1,485	21,866
Total current assets		34,777	18,298	11,393	48,922
CURRENT LIABILITIES					
Due to a related company	18,24(b)	74,887	79,317	79,317	78,626
Due to a fellow subsidiary	18,24(b)	166,951	94,432	42,983	–
Trade payables	19	26,573	9,852	15,751	10,067
Other payables and accruals	20	5,990	6,829	8,711	12,309
Advances from customers	21	364	476	390	1,284
Total current liabilities		274,765	190,906	147,152	102,286
NET CURRENT LIABILITIES		(239,988)	(172,608)	(135,759)	(53,364)
TOTAL ASSETS LESS CURRENT LIABILITIES		573,293	598,017	615,392	662,706
NET ASSETS		573,293	598,017	615,392	662,706
EQUITY					
Equity attributable to owners of the parent					
Paid up capital	22	413,211	413,211	413,211	413,211
Reserves		160,082	184,806	202,181	249,495
TOTAL EQUITY		573,293	598,017	615,392	662,706

I. FINANCIAL INFORMATION (continued)

Statements of changes in equity

	Attributable to owners of the parent			
	Paid up capital	Capital reserve	(Accumulated losses)/retained earnings	Total equity
	RMB'000 (note 23)	RMB'000 (note 23)	RMB'000	RMB'000
At 1 January 2010	413,211	210,354	(53,451)	570,114
Profit and total comprehensive income for the year	–	–	3,179	3,179
At 31 December 2010 and 1 January 2011	413,211	210,354*	(50,272)*	573,293
Profit and total comprehensive income for the year	–	–	24,724	24,724
At 31 December 2011 and 1 January 2012	413,211	210,354*	(25,548)*	598,017
Profit and total comprehensive income for the year	–	–	15,075	15,075
Deemed contribution	–	2,300**	–	2,300
At 31 December 2012 and 1 January 2013	413,211	212,654*	(10,473)*	615,392
Profit and total comprehensive income for the period	–	–	35,531	35,531
Deemed contribution	–	11,783**	–	11,783
At 30 September 2013	<u>413,211</u>	<u>224,437*</u>	<u>25,058*</u>	<u>662,706</u>
At 1 January 2012	413,211	210,354	(25,548)	598,017
Profit and total comprehensive income for the period	–	–	26,345	26,345
Deemed contribution	–	6,057**	–	6,057
At 30 September 2012 (unaudited) . .	<u>413,211</u>	<u>216,411*</u>	<u>797*</u>	<u>630,419</u>

* These reserve accounts represent the total reserves of RMB160,082,000, RMB184,806,000, RMB202,181,000, RMB217,208,000 and RMB249,495,000 in the statements of financial position as at 31 December 2010, 2011 and 2012 and 30 September 2012 and 2013, respectively.

** The balance represents corporate income tax attributable to the business of Discoveryland prior to completing its demerger from Haichang Corporation Development as a deemed contribution.

I. FINANCIAL INFORMATION (continued)

Statements of cash flows

	Notes	Year ended 31 December			Nine months ended 30 September	
		2010 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000 (Unaudited)	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		3,199	24,724	17,375	32,402	47,314
Adjustments for:						
Depreciation of property, plant and equipment	11	49,662	47,397	47,878	36,079	37,256
Amortisation of intangible assets	13	782	920	1,028	718	934
Loss on disposal of items of property, plant and equipment		10	51	111	16	–
Amortisation of prepaid land lease payments	12	2,074	1,995	1,995	1,496	1,496
Impairment/(reversal) of impairment of trade receivables	15	40	(214)	–	–	–
Interest income	6	(63)	(86)	(53)	(45)	(45)
		55,704	74,787	68,334	70,666	86,955
(Increase)/decrease in inventories		(1,601)	46	753	(1,451)	(2,579)
(Increase)/decrease in trade receivables		(20)	961	(542)	(4,212)	(4,381)
(Increase)/decrease in prepayments, deposits and other receivables		(485)	(3,937)	5,791	5,198	(859)
(Decrease)/increase in trade payables		(16,048)	(16,721)	5,899	(2,795)	(5,684)
(Decrease)/increase in other payables and accruals		(22,451)	839	1,882	4,109	3,598
Increase/(decrease) in advances from customers		215	112	(86)	339	894
		15,314	56,087	82,031	71,854	77,944
Interest received		63	86	53	45	45
Income tax paid		(1,319)	–	–	–	–
Net cash flows from operating activities		14,058	56,173	82,084	71,899	77,989

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I. FINANCIAL INFORMATION (continued)

Statements of cash flows (continued)

	Notes	Year ended 31 December			Nine months ended 30 September	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash flows from operating activities		14,058	56,173	82,084	71,899	77,989
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment.	11	(5,940)	(7,548)	(28,328)	(19,543)	(4,540)
Additions of intangible assets.	13	(1,980)	(80)	(3,210)	(3,210)	(65)
Advance to a fellow subsidiaries.		–	–	–	–	(9,329)
Repayment of advance to a related company	24(a)	38,491	–	–	–	–
Net cash flows from/(used in) investing activities		30,571	(7,628)	(31,538)	(22,753)	(13,934)
CASH FLOWS FROM FINANCING ACTIVITIES						
Advance from a related company.	24(a)	–	4,430	–	–	–
Repayment of advance from a related company	24(a)	–	–	–	–	(691)
Repayment of advance from a fellow subsidiary	24(a)	(33,766)	(72,519)	(51,449)	(44,336)	(42,983)
Net cash flows used in financing activities		(33,766)	(68,089)	(51,449)	(44,336)	(43,674)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		10,863	(19,544)	(903)	4,810	20,381
Cash and cash equivalents at beginning of year/period		11,069	21,932	2,388	2,388	1,485
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		21,932	2,388	1,485	7,198	21,866
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENTS OF FINANCIAL POSITION AND CASH FLOWS						
		<u>21,932</u>	<u>2,388</u>	<u>1,485</u>	<u>7,198</u>	<u>21,866</u>

II. NOTES TO THE FINANCIAL INFORMATION

1.1 CORPORATE INFORMATION

Discoveryland is a Sino-foreign equity joint venture enterprise established in the PRC. The registered office of Discoveryland is located in Mainland China. The principal activities of Discoveryland are the operation of an entertainment theme park, sales of goods, restaurant and hotel operations.

In the opinion of the directors, the immediate holding company of Discoveryland is Haichang Asia Limited, which is incorporated in the British Virgin Islands and the ultimate holding company of Discoveryland is Haichang Group Ltd., which is incorporated in the British Virgin Islands, as at 30 September 2013.

1.2 BASIS OF PREPARATION

The Discoveryland Financial Information has been prepared in accordance with IFRSs, which comprise standards and interpretations approved by the IASB, and IASs and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. All IFRSs effective for the accounting period commencing from 1 January 2013, together with the relevant transitional provisions, have been early adopted by Discoveryland in the preparation of the Discoveryland Financial Information throughout the Relevant Periods.

The Discoveryland Financial Information has been prepared under the historical cost convention. The Discoveryland Financial Information is presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern

As at 30 September 2013, Discoveryland had net current liabilities of RMB53,364,000. Haichang Corporation Development has undertaken to provide continuous financial support to enable Discoveryland to meet its liabilities as and when they fall due. In the opinion of the directors of Discoveryland, Discoveryland should be able to continue as a viable going concern.

1.3 BASIS OF PRESENTATION

As more fully explained in the paragraph headed "Our Reorganisation" in the section "History, Reorganisation and Corporate Structure" to the Prospectus, Haichang Corporation Development carried out the businesses of investment holding, theme park operation, sales of goods, restaurant and hotel operations (the "Park Operation"). Pursuant to a demerger exercise, Discoveryland was demerged from Haichang Corporation Development and established as a separate legal entity. Prior to the demerger, Discoveryland was a branch of Haichang Corporation Development carrying out the Park Operation. For the purpose of the demerger exercise, the related assets and liabilities of the Park Operation were transferred from the branch of Haichang Corporation Development to Discoveryland according to a resolution passed by the directors of Haichang Corporation Development that Discoveryland will continue the Park Operation.

The statements of profit or loss and comprehensive income, statements of changes in equity and statements of cash flows of Discoveryland for the Relevant Periods include the results and cash flows from the beginning of the Relevant Periods as if the Park Operation of Haichang Corporation Development had been demerged and transferred to Discoveryland since the beginning of the Relevant Periods. The statements of financial position of Discoveryland as at 31 December 2010, 2011 and 2012 and 30 September 2013 have been prepared to present the assets and liabilities of the Park Operation as if they were demerged and transferred to Discoveryland at those dates.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

2.1 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

Discoveryland has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information.

IFRS 9	<i>Financial Instruments</i> ³
IFRS 9, IFRS 7 and IAS 39 Amendments	<i>Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39</i> ³
IFRS 10, IFRS 12 and IAS 27 (2011 Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011 Revised) – <i>Investment Entities</i> ¹
IAS 19 Amendments	Amendments to IAS 19 <i>Employee Benefits – Defined Benefit Plans: Employee Contributions</i> ²
IAS 32 Amendments	Amendments to IAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ¹
IAS 39 Amendments	Amendments to IAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i> ¹
IAS 36 Amendments	Amendments to IAS 36 <i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i> ¹
IFRIC 21	<i>Levies</i> ¹
Annual Improvements 2010-2012 cycle ²	
Annual Improvements 2011-2013 cycle ²	

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 July 2014

³ No mandatory effective date yet determined but is available for adoption

Discoveryland is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application but is not yet in a position to state whether these new and revised IFRSs would have a significant impact on its results of operations and financial position.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statements of profit or loss and comprehensive income in the period in which it arises.

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Impairment of non-financial assets (continued)**

An assessment is made at the end of each reporting as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortisation) had no impairment loss been recognised for the asset in prior years.

A reversal of such impairment loss is credited to the statements of profit or loss and comprehensive income in the period in which it arises.

Related parties

A party is considered to be related to Discoveryland if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over Discoveryland;
 - (ii) has significant influence over Discoveryland; or
 - (iii) is a member of the key management personnel of Discoveryland or of a parent of Discoveryland;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and Discoveryland are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and Discoveryland are joint ventures of the same third-party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either Discoveryland or an entity related to Discoveryland;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the Discoveryland or is a member of the key management personnel of the Discoveryland (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, machinery and equipment under installation, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statements of profit or loss and comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, Discoveryland recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Property, plant and equipment and depreciation (continued)**

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment over the following estimated useful life.

Hotel buildings	40 years
Park and other buildings	20 to 40 years
Machinery	5 to 10 years
Motor vehicles	5 years
Office equipment and furniture	3 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statements of profit or loss and comprehensive income in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction and equipment for installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Amortization is calculated on the straight-line basis to write off the cost of each item of intangible assets over the following estimated useful lives:

Trademarks and copyright	10 years
Computer software	10 years

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to Discoveryland, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statements of profit or loss and comprehensive income so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where Discoveryland is the lessee, rentals payable under the operating leases are charged to the statements of profit or loss and comprehensive income on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial assets*****Initial recognition and measurement***

Financial assets are classified, at initial recognition, as loans and receivables as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that Discoveryland commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statements of profit or loss and comprehensive income. The loss arising from impairment is recognised in the statements of profit or loss and comprehensive income in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Discoveryland's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- Discoveryland has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third-party under a "pass-through" arrangement; and either (a) Discoveryland has transferred substantially all the risks and rewards of the asset, or (b) Discoveryland has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Discoveryland has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, Discoveryland continues to recognise the transferred asset to the extent of Discoveryland's continuing involvement in the asset. In that case, Discoveryland also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Discoveryland has retained.

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Impairment of financial assets**

Discoveryland assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, Discoveryland first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If Discoveryland determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the income statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to Discoveryland.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of comprehensive income.

In relation to other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that Discoveryland will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial liabilities*****Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Discoveryland's financial liabilities include trade payables, other payables and accruals, amounts due to a related company and a fellow subsidiary.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statements of profit or loss and comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are merchandise goods and stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of Discoveryland's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statements of profit or loss and comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised in the statements of profit or loss and comprehensive income, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretation and practices prevailing in the countries in which Discoveryland operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine the deferred tax.

Deferred tax liabilities are provided in full while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to Discoveryland and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that Discoveryland maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the hotel operations, recognised upon services rendered; and
- (c) from ticket sales, when receiving ticket fare or rights to collect money from tourist parties.

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Employee benefits**

Pursuant to the relevant regulations of the PRC government, Discoveryland has participated in a local municipal government retirement benefit scheme (the "Scheme"), whereby Discoveryland is required to contribute a certain percentage of the salaries of its employees to the Scheme to fund their retirement benefits. The only obligation of Discoveryland with respect to the Scheme is to pay the ongoing contributions under the Scheme. Contributions under the Scheme are charged to the statements of profit or loss and comprehensive income as incurred.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of Discoveryland's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(ii) Impairment of non-financial assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, Discoveryland has to exercise judgement in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(iii) Provision for impairment of receivables

Provision for impairment of receivables is made based on the ageing and past repayment pattern of the receivables. The assessment of the impairment amount required involves management judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact on the carrying value of receivables and impairment charge/write-back of impairment in the period in which such estimate has been changed.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

4. OPERATING SEGMENT INFORMATION

For management purposes, Discoveryland is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) Park operation segment is engaged in the operation of an entertainment theme park;
- (b) Other segment is engaged in the restaurant and hotel operations, and sales of goods;

Management monitors the results of Discoveryland's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax.

Segment assets exclude corporate assets as those assets are managed on group basis.

All segment liabilities are unallocated and corporate liabilities.

No further geographical segment information is presented as 100% of Discoveryland's revenue from external customers is derived from its operation in Mainland China and 100% of Discoveryland's non-current assets are located in Mainland China.

Operating segments

The following tables present revenue, profit and certain asset, liability and expenditure information for Discoveryland's operating segments for the Relevant Periods:

Year ended 31 December 2010	Park operation	Other	Total
	RMB'000	RMB'000	RMB'000
Segment revenue			
Sales to external customers	145,792	4,336	150,128
Segment results			32,391
<i>Reconciliations:</i>			
Unallocated income			5,380
Unallocated expenses			(34,572)
Profit before tax			3,199
Segment assets	539,802	115,171	654,973
<i>Reconciliations:</i>			
Corporate and other unallocated assets			193,085
Total assets			848,058
Segment liabilities	-	-	-
<i>Reconciliations:</i>			
Corporate and other unallocated liabilities			274,765
Total liabilities			274,765
Other segment information			
Depreciation and amortisation			
Segment	52,518	-	52,518
Capital expenditure*			
Unallocated			7,920

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

4. OPERATING SEGMENT INFORMATION (continued)

Operating segments (continued)

Year ended 31 December 2011	Park operation	Other	Total
	RMB'000	RMB'000	RMB'000
Segment revenue			
Sales to external customers	176,195	7,408	183,603
Segment results			60,257
<i>Reconciliations:</i>			
Unallocated income			9,788
Unallocated expenses			(45,321)
Profit before tax			24,724
Segment assets	514,699	112,183	626,882
<i>Reconciliations:</i>			
Corporate and other unallocated assets			162,041
Total assets			788,923
Segment liabilities	–	–	–
<i>Reconciliations:</i>			
Corporate and other unallocated liabilities			190,906
Total liabilities			190,906
Other segment information			
Depreciation and amortisation			
Segment	50,312	–	50,312
Capital expenditure*			
Unallocated			7,628

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Year ended 31 December 2012	Park operation	Other	Total
	RMB'000	RMB'000	RMB'000
Segment revenue			
Sales to external customers	181,244	8,088	189,332
Segment results			52,913
<i>Reconciliations:</i>			
Unallocated income			7,418
Unallocated expenses			(42,956)
Profit before tax			17,375
Segment assets	508,226	109,195	617,421
<i>Reconciliations:</i>			
Corporate and other unallocated assets			145,123
Total assets			762,544
Segment liabilities	–	–	–
<i>Reconciliations:</i>			
Corporate and other unallocated liabilities			147,152
Total liabilities			147,152
Other segment information			
Depreciation and amortisation			
Segment	50,901	–	50,901
Capital expenditure*			
Unallocated			31,538

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

4. OPERATING SEGMENT INFORMATION (continued)

Operating segments (continued)

Nine months ended 30 September 2013	Park operation	Other	Total
	RMB'000	RMB'000	RMB'000
Segment revenue			
Sales to external customers	187,760	8,950	196,710
Segment results			78,572
<i>Reconciliations:</i>			
Unallocated income			1,838
Unallocated expenses			(33,096)
Profit before tax			47,314
Segment assets	483,656	106,840	590,496
<i>Reconciliations:</i>			
Corporate and other unallocated assets			174,496
Total assets			764,992
Segment liabilities	–	–	–
<i>Reconciliations:</i>			
Corporate and other unallocated liabilities			102,286
Total liabilities			102,286
Other segment information			
Depreciation and amortisation			
Segment	39,686	–	39,686
Capital expenditure*			
Unallocated			4,605

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Nine months ended 30 September 2012	Park operation	Other	Total
	RMB'000	RMB'000	RMB'000
Unaudited Segment revenue			
Sales to external customers	166,715	8,026	174,741
Segment results			60,622
<i>Reconciliations:</i>			
Unallocated income			1,486
Unallocated expenses			(29,706)
Profit before tax			32,402
Other segment information			
Depreciation and amortisation			
Segment	38,293	–	38,293
Capital expenditure*			
Unallocated			22,753

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

4. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

No information about a major customer is presented as no single customer contributes to over 10% of Discoveryland's revenue for each of the three years ended 31 December 2010, 2011 and 2012 and for the nine months ended 30 September 2012 and 2013.

5. REVENUE

Revenue, which is also Discoveryland's turnover, represents income from the sales of tickets for the entertainment theme park operation, the sales of goods, restaurant services and income from hotel operations, net of business tax and other surcharges.

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue				(Unaudited)	
Ticket sales	112,452	129,964	136,016	125,877	137,782
Food and beverage sales	19,633	29,550	29,003	26,587	30,078
Sales of goods	13,707	16,681	16,225	14,251	19,900
Income from hotel operations	4,336	7,408	8,088	8,026	8,950
	<u>150,128</u>	<u>183,603</u>	<u>189,332</u>	<u>174,741</u>	<u>196,710</u>

6. OTHER INCOME

	Note	Year ended 31 December			Nine months ended 30 September	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other income					(Unaudited)	
Commission income		3,408	5,964	5,520	–	–
Interest income	7	63	86	53	45	45
Others		1,909	3,738	1,845	1,441	1,793
		<u>5,380</u>	<u>9,788</u>	<u>7,418</u>	<u>1,486</u>	<u>1,838</u>

II. NOTES TO THE FINANCIAL INFORMATION (continued)

7. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December			Nine months ended 30 September	
		2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Cost of inventories sold		7,869	9,626	9,910	8,809	8,959
Cost of services provided . . .		109,868	113,720	126,509	105,310	109,179
Depreciation	11	49,662	47,397	47,878	36,079	37,256
Amortisation of prepaid land lease payments	12	2,074	1,995	1,995	1,496	1,496
Amortisation of intangible assets	13	782	920	1,028	718	934
Impairment/(reversal) of impairment of trade receivables	15	40	(214)	–	–	–
Minimum lease payments under operating leases in respect of buildings		450	450	450	338	230
Loss on disposal of items of property, plant and equipment		10	51	111	16	–
Employee benefit expense (excluding directors' remuneration):						
Wages and salaries		20,500	21,289	31,987	29,388	25,113
Pension scheme costs		3,176	2,585	3,592	2,182	2,783
		23,676	23,874	35,579	31,570	27,896
Interest income	6	(63)	(86)	(53)	(45)	(45)

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

No directors' or chief executive received any remuneration for the Relevant Periods.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

9. FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the five highest paid employees for the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2012 and 2013 who are neither a director nor the chief executive of Discoveryland are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Salaries, allowances and benefits in kinds	435	427	495	371	379
Performance related bonuses . .	94	210	280	–	–
Pension scheme contributions . .	82	103	117	88	98
	<u>611</u>	<u>740</u>	<u>892</u>	<u>459</u>	<u>477</u>

All the non-director and non-chief executive highest paid employees' remuneration fell within the band of nil to RMB1,000,000.

10. INCOME TAX

Provision for PRC corporate income tax has been made at the applicable income tax rate of 25% for the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2012 and 2013 on the assessable profits of Discoveryland in Mainland China.

Income tax in the statements of profit or loss and comprehensive income represents:

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current – Mainland China: Charge for the year/period	<u>20</u>	<u>–</u>	<u>2,300</u>	<u>6,057</u>	<u>11,783</u>

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax expense is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit before tax	<u>3,199</u>	<u>24,724</u>	<u>17,375</u>	<u>32,402</u>	<u>47,314</u>
At the statutory income tax rates	795	6,181	4,344	8,101	11,829
Tax losses utilised	(795)	(6,181)	(2,044)	(2,044)	–
Others	20	–	–	–	(46)
Tax charge for the year/period . .	<u>20</u>	<u>–</u>	<u>2,300</u>	<u>6,057</u>	<u>11,783</u>

II. NOTES TO THE FINANCIAL INFORMATION (continued)

11. PROPERTY, PLANT AND EQUIPMENT

	Hotel buildings	Park and other buildings	Machinery	Motor vehicles	Office equipment and furniture	Construc- tion in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
At 1 January 2010	122,394	587,532	214,727	5,287	11,147	–	941,087
Additions	–	488	1,563	–	881	3,008	5,940
Transfers	–	813	1,592	–	–	(2,405)	–
Disposals	–	–	–	–	(24)	–	(24)
At 31 December 2010 and 1 January 2011	122,394	588,833	217,882	5,287	12,004	603	947,003
Additions	–	985	–	–	1,264	5,299	7,548
Transfers	–	–	5,106	–	–	(5,106)	–
Disposals	–	–	–	(290)	(67)	–	(357)
At 31 December 2011 and 1 January 2012	122,394	589,818	222,988	4,997	13,201	796	954,194
Additions	–	684	26,351	236	769	288	28,328
Transfers	–	–	796	–	–	(796)	–
Disposals	–	–	(267)	–	(163)	–	(430)
At 31 December 2012 and 1 January 2013	122,394	590,502	249,868	5,233	13,807	288	982,092
Additions	–	–	1,107	228	1,964	1,241	4,540
Transfers	–	–	1,241	–	–	(1,241)	–
At 30 September 2013	122,394	590,502	252,216	5,461	15,771	288	986,632
Accumulated depreciation							
At 1 January 2010	(4,234)	(69,616)	(69,850)	(3,760)	(5,845)	–	(153,305)
Depreciation for the year	(2,989)	(20,554)	(23,070)	(848)	(2,201)	–	(49,662)
Disposals	–	–	–	–	14	–	14
At 31 December 2010 and 1 January 2011	(7,223)	(90,170)	(92,920)	(4,608)	(8,032)	–	(202,953)
Depreciation for the year	(2,988)	(20,403)	(21,819)	(376)	(1,811)	–	(47,397)
Disposals	–	–	–	261	45	–	306
At 31 December 2011 and 1 January 2012	(10,211)	(110,573)	(114,739)	(4,723)	(9,798)	–	(250,044)
Depreciation for the year	(2,989)	(20,446)	(22,700)	(204)	(1,539)	–	(47,878)
Disposals	–	–	185	–	134	–	319
At 31 December 2012 and 1 January 2013	(13,200)	(131,019)	(137,254)	(4,927)	(11,203)	–	(297,603)
Depreciation for the period	(2,354)	(15,264)	(18,479)	(88)	(1,071)	–	(37,256)
At 30 September 2013	(15,554)	(146,283)	(155,733)	(5,015)	(12,274)	–	(334,859)
Net carrying amount							
At 31 December 2010	115,171	498,663	124,962	679	3,972	603	744,050
At 31 December 2011	112,183	479,245	108,249	274	3,403	796	704,150
At 31 December 2012	109,194	459,483	112,614	306	2,604	288	684,489
At 30 September 2013	106,840	444,219	96,483	446	3,497	288	651,773

II. NOTES TO THE FINANCIAL INFORMATION (continued)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Discoveryland pledged its property, plant and equipment with carrying values of RMB613,834,000, RMB591,428,000, RMB568,677,000 and RMB551,059,000 to secure banking facilities granted to Haichang Corporation Development, a fellow subsidiary of Discoveryland, at 31 December 2010, 2011 and 2012, and 30 September 2013 respectively (note 24(a)).

12. PREPAID LAND LEASE PAYMENTS

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of the year/period	66,049	63,975	61,980	59,985
Amortised during the year/period	(2,074)	(1,995)	(1,995)	(1,496)
Carrying amount at end of the year/period	63,975	61,980	59,985	58,489
Current portion included in prepayments, deposits and other receivables (note 16)	(2,074)	(1,995)	(1,995)	(1,995)
Non-current portion	61,901	59,985	57,990	56,494

Discoveryland's leasehold lands are situated in Mainland China and are held under a medium term lease.

Discoveryland pledged its leasehold interests in land of RMB63,975,000, RMB61,980,000, RMB59,985,000 and RMB58,489,000 for banking facilities granted to Haichang Corporation Development as at 31 December 2010, 2011 and 2012, and 30 September 2013, respectively (note 24(a)).

II. NOTES TO THE FINANCIAL INFORMATION (continued)

13. INTANGIBLE ASSETS

Intangible assets comprise a copyright, registered trademarks and computer software. The movements of intangible assets are analysed as follows:

	Copyright	Trademarks	Computer software	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2010				
At 1 January 2010, net of accumulated amortisation	890	3,090	2,152	6,132
Additions	1,980	–	–	1,980
Amortisation	(355)	(165)	(262)	(782)
At 31 December 2010, net of accumulated amortisation	<u>2,515</u>	<u>2,925</u>	<u>1,890</u>	<u>7,330</u>
At 31 December 2010				
Cost	2,940	3,292	2,573	8,805
Accumulated amortisation	(425)	(367)	(683)	(1,475)
Net carrying amount	<u>2,515</u>	<u>2,925</u>	<u>1,890</u>	<u>7,330</u>
31 December 2011				
At 1 January 2011, net of accumulated amortisation	2,515	2,925	1,890	7,330
Additions	–	–	80	80
Amortisation	(485)	(146)	(289)	(920)
At 31 December 2011, net of accumulated amortisation	<u>2,030</u>	<u>2,779</u>	<u>1,681</u>	<u>6,490</u>
At 31 December 2011				
Cost	2,940	3,292	2,653	8,885
Accumulated amortisation	(910)	(513)	(972)	(2,395)
Net carrying amount	<u>2,030</u>	<u>2,779</u>	<u>1,681</u>	<u>6,490</u>
31 December 2012				
At 1 January 2012, net of accumulated amortisation	2,030	2,779	1,681	6,490
Additions	2,800	–	410	3,210
Amortisation	(579)	(145)	(304)	(1,028)
At 31 December 2012, net of accumulated amortisation	<u>4,251</u>	<u>2,634</u>	<u>1,787</u>	<u>8,672</u>
At 31 December 2012				
Cost	5,740	3,292	3,063	12,095
Accumulated amortisation	(1,489)	(658)	(1,276)	(3,423)
Net carrying amount	<u>4,251</u>	<u>2,634</u>	<u>1,787</u>	<u>8,672</u>
30 September 2013				
At 1 January 2013, net of accumulated amortisation	4,251	2,634	1,787	8,672
Additions	–	–	65	65
Amortisation	(582)	(116)	(236)	(934)
At 30 September 2013, net of accumulated amortisation	<u>3,669</u>	<u>2,518</u>	<u>1,616</u>	<u>7,803</u>
At 30 September 2013				
Cost	5,740	3,292	3,128	12,160
Accumulated amortisation	(2,071)	(774)	(1,512)	(4,357)
Net carrying amount	<u>3,669</u>	<u>2,518</u>	<u>1,616</u>	<u>7,803</u>

II. NOTES TO THE FINANCIAL INFORMATION (continued)

14. INVENTORIES

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Merchandise goods	6,677	6,631	5,878	8,457

15. TRADE RECEIVABLES

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	1,217	256	798	5,179
Less: provision for doubtful debts	(214)	–	–	–
	1,003	256	798	5,179

The trading terms of Discoveryland with its institutional customers are mainly on credit. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. Discoveryland seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that Discoveryland's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are interest-free.

An aged analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date, net of provision for doubtful debts, is as follows

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	285	69	154	4,839
Over 90 days and within one year	591	41	644	286
Over one year	127	146	–	54
	1,003	256	798	5,179

The movements in provision for impairment of trade receivables are as follows:

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	288	214	–	–
Impairment losses recognised	164	–	–	–
Reversal	(124)	(214)	–	–
Write off	(114)	–	–	–
	214	–	–	–

II. NOTES TO THE FINANCIAL INFORMATION (continued)

15. TRADE RECEIVABLES (continued)

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	285	69	154	4,839
Past due within one year	591	41	644	286
Past due over one year	127	146	–	54
	<u>1,003</u>	<u>256</u>	<u>798</u>	<u>5,179</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

The carrying amount of the trade receivables approximates to their fair value due to their relatively short maturity term.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	431	4,400	833	1,163
Deposits and other receivables	2,660	2,628	404	933
	<u>3,091</u>	<u>7,028</u>	<u>1,237</u>	<u>2,096</u>
Current portion of prepaid land lease payments (<i>note 12</i>)	2,074	1,995	1,995	1,995
	<u>5,165</u>	<u>9,023</u>	<u>3,232</u>	<u>4,091</u>

The carrying amount of deposits and other receivables approximates to their fair value due to their relatively short maturity term.

17. CASH AND CASH EQUIVALENTS

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	21,932	2,388	1,485	21,866
	<u>21,932</u>	<u>2,388</u>	<u>1,485</u>	<u>21,866</u>

All the cash and bank balances are denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, Discoveryland is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The company balances are deposited with creditworthy banks with no recent history of default. The carrying amount of the cash and cash equivalents approximates to their fair value.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

18. DUE TO/FROM A RELATED COMPANY AND FELLOW SUBSIDIARIES

The amounts due to/from a related company and fellow subsidiaries are interest-free, unsecured and repayable on demand. The carrying amounts of these balances approximate to their fair values due to their relatively short maturity term.

19. TRADE PAYABLES

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	26,573	9,852	15,751	10,067

The trade payables are interest-free and normally settled on 30 to 180 days' terms.

The fair value of trade payables approximates to their carrying amounts due to their relatively short maturity term.

20. OTHER PAYABLES AND ACCRUALS

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables	3,409	1,433	2,144	5,609
Accruals	2,581	5,396	6,567	6,700
	5,990	6,829	8,711	12,309

All other payables are unsecured, interest-free and repayable on demand.

The fair value of other payables approximates to their carrying amounts due to their relatively short maturity term.

21. ADVANCES FROM CUSTOMERS

Advances from customers represented security deposits received from travel agencies.

22. PAID UP CAPITAL

As mentioned in "Basis of Presentation" in the notes to the Discoveryland Financial Information, Discoveryland has been demerged from Haichang Corporation Development and established as a separate legal entity. The paid up capital of Discoveryland as at 31 December 2010, 2011 and 2012 and 30 September 2013 was presented as if the demerger exercise had been completed since 1 January 2010. The paid up capital of Discoveryland was RMB413,211,000 as a result of the demerger. As at the date of the report, the registered capital of Discoveryland is RMB413,211,000 and fully paid up.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

23. OPERATING LEASE COMMITMENTS

As lessee

Discoveryland leases certain of its office buildings under operating lease arrangements.

At the end of each of the Relevant Periods, Discoveryland had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	450	450	230	–
In the second to fifth years, inclusive	680	230	–	–
	<u>1,130</u>	<u>680</u>	<u>230</u>	<u>–</u>

24. RELATED PARTY TRANSACTIONS AND BALANCES

The related companies with which Discoveryland had transactions were as follows:

Name of related party	Relationship with Discoveryland
Haichang Corporation Development	Fellow subsidiary
大連海昌集團有限公司 (“Haichang Group”)	Equity holder
大連海昌置地紅酒莊園有限公司 (“Haichang Red Wine”)	Fellow subsidiary

(a) Related party transactions

In addition to the transactions detailed elsewhere in these financial statements, Discoveryland had the following transactions with related parties:

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<i>Advance from a related company</i>					
Haichang Group	–	4,430	–	–	–
<i>Repayment of an advance from a related company:</i>					
Haichang Group	38,491	–	–	–	691
<i>Repayment of an advance from a fellow subsidiary:</i>					
Haichang Corporation Development	33,766	72,519	51,449	44,336	42,983
<i>Advances to fellow subsidiaries:</i>					
Haichang Corporation Development	–	–	–	–	9,179
Haichang Red Wine	–	–	–	–	150

II. NOTES TO THE FINANCIAL INFORMATION (continued)

24. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Related party transactions (continued)

Advances from/to a related company and a fellow subsidiary are interest-free and repayable on demand.

In addition to above, Discoveryland had the following related party transactions:

- (i) Discoveryland pledged its property, plant and equipment amounting to RMB613,834,000, RMB591,428,000, RMB568,677,000 and RMB551,059,000 for the loans granted to Haichang Corporation Development at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively (note 11) at nil consideration; and
- (ii) Discoveryland pledged its leasehold interests in land of RMB63,975,000, RMB61,980,000, RMB59,985,000 and RMB58,489,000 for banking facilities granted to Haichang Corporation Development as at 31 December 2010, 2011 and 2012, and 30 September 2013, respectively (note 12)

(b) Balances with a related/fellow subsidiaries

Discoveryland had the following balances with its related parties at the end of each of the Relevant Periods:

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Due to a related company:</i>				
Haichang Group	74,887	79,317	79,317	78,626
<i>Due to a fellow subsidiary:</i>				
Haichang Corporation Development*	166,951	94,432	42,983	–
<i>Due from fellow subsidiaries:</i>				
Haichang Corporation Development	–	–	–	9,179
Haichang Red Wine	–	–	–	150
	–	–	–	9,329

* The balance arose from fund advanced from Haichang Corporation Development to finance the construction and operation of theme park.

The amounts due to/from a related company and fellow subsidiaries are unsecured, interest free and repayable on demand.

Compensation to the key management

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, allowances, bonuses, benefits and other expenses	–	–	–	–	–
Post-employment benefit	–	–	–	–	–
	–	–	–	–	–

II. NOTES TO THE FINANCIAL INFORMATION (continued)

25. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

31 December 2010Financial assets

	Loans and receivables
	RMB'000
Financial assets included in prepayments, deposits and other receivables	2,660
Trade receivables	1,003
Cash and cash equivalents	21,932
	<u>25,595</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Other payables and accruals	5,990
Trade payables	26,573
Due to a related company	74,887
Due to a fellow subsidiary	166,951
	<u>274,401</u>

31 December 2011Financial assets

	Loans and receivables
	RMB'000
Financial assets included in prepayments, deposits and other receivables	2,628
Trade receivables	256
Cash and cash equivalents	2,388
	<u>5,272</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Other payables and accruals	6,829
Trade payables	9,852
Due to a related company	79,317
Due to a fellow subsidiary	94,432
	<u>190,430</u>

II. NOTES TO THE FINANCIAL INFORMATION (continued)

25. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

31 December 2012

Financial assets

	Loans and receivables
	RMB'000
Financial assets included in prepayments, deposits and other receivables	404
Trade receivables	798
Cash and cash equivalents	1,485
	<u>2,687</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Other payables and accruals	8,711
Trade payables	15,751
Due to a related company	79,317
Due to a fellow subsidiary	42,983
	<u>146,762</u>

30 September 2013

Financial assets

	Loans and receivables
	RMB'000
Due from fellow subsidiaries	9,329
Financial assets included in prepayments, deposits and other receivables	933
Trade receivables	5,179
Cash and cash equivalents	21,866
	<u>37,307</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Other payables and accruals	12,309
Trade payables	10,067
Due to a related company	78,626
	<u>101,002</u>

II. NOTES TO THE FINANCIAL INFORMATION (continued)

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Discoveryland's principal financial instruments comprise amount due to a related company and a fellow subsidiary, amounts due from fellow subsidiaries, cash and bank balances. The main purpose of these financial instruments is to raise finance for Discoveryland's operations. Discoveryland has various other financial assets and liabilities such as trade receivables, trade payables, other receivables, other payables and accruals, which arise directly from its operations.

The main risks arising from Discoveryland's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

There are no significant concentrations of credit risk within Discoveryland. The credit risk of Discoveryland's other financial assets, which comprise cash and cash equivalents, trade receivables and other receivables, arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

Discoveryland's objective is to maintain a balance between continuity of funding and flexibility. Cash flows are closely monitored on an ongoing basis.

The maturity profile of Discoveryland's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

	31 December 2010					Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	26,573	–	–	–	–	26,573
Other payables and accruals	5,990	–	–	–	–	5,990
Due to a related company . . .	74,887	–	–	–	–	74,887
Due to a fellow subsidiary . . .	166,951	–	–	–	–	166,951
	<u>274,401</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>274,401</u>
	31 December 2011					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	9,852	–	–	–	–	9,852
Other payables and accruals	6,829	–	–	–	–	6,829
Due to a related company . . .	79,317	–	–	–	–	79,317
Due to a fellow subsidiary . . .	94,432	–	–	–	–	94,432
	<u>190,430</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>190,430</u>

II. NOTES TO THE FINANCIAL INFORMATION (continued)

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	31 December 2012					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	15,751	–	–	–	–	15,751
Other payables and accruals	8,711	–	–	–	–	8,711
Due to a related company . . .	79,317	–	–	–	–	79,317
Due to a fellow subsidiary . . .	42,983	–	–	–	–	42,983
	<u>146,762</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>146,762</u>
	30 September 2013					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	10,067	–	–	–	–	10,067
Other payables and accruals	12,309	–	–	–	–	12,309
Due to a related company . . .	78,626	–	–	–	–	78,626
	<u>101,002</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>101,002</u>

Capital management

The primary objectives of Discoveryland's capital management are to safeguard Discoveryland's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise equity holders' value.

Discoveryland manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, Discoveryland may adjust the dividend payment to equity holders, return capital to equity holders or issue new shares. Discoveryland is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the Relevant Periods.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

Discoveryland monitors capital using a gearing ratio, which is net debt divided by the total equity plus net debt. Net debt includes an amount due to a related company, an amount due to a fellow subsidiary, trade payables, other payables and accruals less cash and cash equivalents. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	26,573	9,852	15,751	10,067
Other payables and accruals	5,990	6,829	8,711	12,309
Due to a related company	74,887	79,317	79,317	78,626
Due to a fellow subsidiary	166,951	94,432	42,983	–
Cash and cash equivalents	(21,932)	(2,388)	(1,485)	(21,866)
Net debt	252,469	188,042	145,277	79,136
Total equity attributable to owners of the parent	573,293	598,017	615,392	662,706
Capital and net debt	825,762	786,059	760,669	741,842
Gearing ratio	31%	24%	19%	11%

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Discoveryland in respect of any period subsequent to 30 September 2013.

Yours faithfully,
Ernst & Young

Certified Public Accountants
Hong Kong