

## APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN

*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 重慶加勒比海旅遊發展有限公司 (“Chongqing Caribbean” or the “Company”) comprising the statements of profit or loss and comprehensive income, statements of changes in equity and statements of cash flows of Chongqing Caribbean 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 Chongqing Caribbean as at 31 December 2010, 2011 and 2012 and 30 September 2013, together with the notes thereto (the “Chongqing Caribbean Financial Information”), and the comparative statements of profit or loss and comprehensive income, statement of changes in equity and statements of cash flows of Chongqing Caribbean for the nine months ended 30 September 2012 (the “Chongqing Caribbean 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 Limited 28 February 2014 (the “Prospectus”) in connection with the listing of the shares of Haichang Holdings Ltd. on The Main Board of Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Chongqing Caribbean was established in the People’s Republic of China (the “PRC”) as a domestic private enterprise on 18 January 2012. The principal activities of Chongqing Caribbean are the operation of an entertainment theme park, property development and property holding.

Pursuant to an agreement entered into on 23 September 2013 between 大連海昌旅遊集團有限公司 (“Dalian Tourism,” a subsidiary of Haichang Holdings Ltd.) and 大連海昌房地產集團有限公司 (“Haichang Property Group,” a related company of Haichang Holdings Ltd), as detailed in the paragraph headed “Our Reorganization” in the section of “History, Reorganization and Corporate Structure” in the Prospectus, Dalian Tourism will acquire the entire equity interest in Chongqing Caribbean.

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Prior to its establishment, Chongqing Caribbean is a branch of 重慶極地實業有限公司 (“Chongqing Pole Property”) carrying out its operations. Pursuant to a demerger exercise as approved by the local government authorities, Chongqing Caribbean was demerged from Chongqing Pole Property and registered as a separate legal entity.

The statutory financial statements of Chongqing Caribbean, for the period since the date of establishment from 18 January 2012 to 31 December 2012 have been prepared by Chongqing Caribbean in accordance with generally accepted accounting principles of the People's Republic of China (the “PRC GAAP”) and audited by 重慶信通會計師事務所有限公司 which is a certified public accounting firm registered in the PRC.

For the purpose of this report, the directors of Chongqing Caribbean have prepared the Chongqing Caribbean's financial statements for each of the Relevant Periods (the “Chongqing Caribbean Underlying Financial Statements”) as if Chongqing Caribbean had been established since the beginning of Relevant Periods. The Chongqing Caribbean 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 Chongqing Caribbean 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 Chongqing Caribbean Financial Information set out in this report has been prepared from the Chongqing Caribbean Underlying Financial Statements with no adjustments made thereon.

### **Directors' responsibility**

The directors of Chongqing Caribbean are responsible for the preparation of the Chongqing Caribbean Underlying Financial Statements, the Chongqing Caribbean Financial Information and the Chongqing Caribbean 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 Chongqing Caribbean Underlying Financial Statements, the Chongqing Caribbean Financial Information and the Chongqing Caribbean 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 Chongqing Caribbean Financial Information and the Chongqing Caribbean 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 Chongqing Caribbean 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 Chongqing Caribbean 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

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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 Chongqing Caribbean Interim Comparative Information.

**Opinion in respect of the Chongqing Caribbean 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 Chongqing Caribbean Financial Information gives a true and fair view of the state of affairs of Chongqing Caribbean as at 31 December 2010, 2011, and 2012 and 30 September 2013 and of the results and cash flows of Chongqing Caribbean for each of the Relevant Periods.

**Review conclusion in respect of the Chongqing Caribbean 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 Chongqing Caribbean Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Chongqing Caribbean Financial Information.

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**I. FINANCIAL INFORMATION**

**Statements of profit or loss and comprehensive income**

	<i>Notes</i>	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)	
<b>REVENUE</b> . . . . .	5	27,691	37,353	34,538	32,416	39,715
Cost of sales . . . . .		(19,750)	(24,775)	(26,416)	(18,455)	(20,595)
<b>GROSS PROFIT</b> . . . . .		7,941	12,578	8,122	13,961	19,120
Other income and gains . . . . .	5	18,598	12,482	15,074	12,761	13,418
Selling and marketing expenses . . . . .		(9,793)	(4,293)	(4,249)	(3,659)	(4,024)
Administrative expenses . . . . .		(4,952)	(6,264)	(7,590)	(5,913)	(7,620)
Other expenses . . . . .		(14)	(13,739)	(81)	(8)	(114)
Finance costs . . . . .	6	–	–	(4,866)	(3,776)	(2,328)
<b>PROFIT BEFORE TAX</b> . . . . .	7	11,780	764	6,410	13,366	18,452
Income tax expense . . . . .	9	(3,081)	(393)	(5,157)	(3,815)	(4,133)
<b>PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD</b> . . . . .		8,699	371	1,253	9,551	14,319
Attributable to: Owners of the parent . . . . .		8,699	371	1,253	9,551	14,319

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**I. FINANCIAL INFORMATION (continued)**

**Statements of financial position**

	Notes	As of 31 December			As of 30 September
		2010	2011	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment . . .	10	252,762	242,665	235,106	230,740
Investment properties . . . . .	11	188,734	175,000	177,000	179,000
Prepaid land lease payments . . . .	12	6,378	6,194	6,010	5,871
Intangible assets . . . . .	13	361	298	235	189
Deferred tax assets . . . . .	14	79,846	80,318	75,161	71,028
Total non-current assets . . . . .		<u>528,081</u>	<u>504,475</u>	<u>493,512</u>	<u>486,828</u>
<b>CURRENT ASSETS</b>					
Completed properties held for sale . . . . .	15	82,231	82,696	83,814	83,814
Properties under development . . .	16	119,070	119,070	119,758	119,758
Inventories . . . . .	17	836	420	853	458
Trade receivables . . . . .	18	901	1,048	1,498	1,437
Prepayments, deposits and other receivables . . . . .	19	346	314	533	1,117
Due from the immediate holding company . . . . .	20, 29(b)	10,000	–	–	–
Due from a related company . . . .	20, 29(b)	280	280	–	–
Due from fellow subsidiaries . . . .	20, 29(b)	91	611	828	79
Cash and cash equivalents . . . . .	21	323	10,211	265	6,228
Total current assets . . . . .		<u>214,078</u>	<u>214,650</u>	<u>207,549</u>	<u>212,891</u>
<b>CURRENT LIABILITIES</b>					
Trade payables . . . . .	22	9,378	8,907	9,070	6,041
Other payables and accruals . . . .	23	994	2,755	5,579	6,562
Due to the immediate holding company . . . . .	20, 29(b)	–	–	20	20
Due to an intermediate holding company . . . . .	20, 29(b)	357,441	285,274	283,527	287,220
Due to a fellow subsidiary . . . . .	20, 29(b)	–	–	–	3,473
Advances from customers . . . . .	24	–	6	16	115
Finance lease payables . . . . .	25	–	10,629	17,967	19,145
Government grants . . . . .	26	7,784	8,761	8,761	8,761
Total current liabilities . . . . .		<u>375,597</u>	<u>316,332</u>	<u>324,940</u>	<u>331,337</u>
<b>NET CURRENT LIABILITIES . . . .</b>		<b>(161,519)</b>	<b>(101,682)</b>	<b>(117,391)</b>	<b>(118,446)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES . . . . .</b>		<b>366,562</b>	<b>402,793</b>	<b>376,121</b>	<b>368,382</b>
<b>NON-CURRENT LIABILITIES</b>					
Finance lease payables . . . . .	25	–	34,652	15,487	–
Government grants . . . . .	26	304,955	305,298	296,538	289,967
<b>Total non-current liabilities . . . .</b>		<b>304,955</b>	<b>339,950</b>	<b>312,025</b>	<b>289,967</b>
<b>NET ASSETS . . . . .</b>		<b>61,607</b>	<b>62,843</b>	<b>64,096</b>	<b>78,415</b>
<b>EQUITY</b>					
Equity attributable to owners of the parent					
Paid up capital . . . . .	27	10,000	10,000	10,000	10,000
Reserves . . . . .		51,607	52,843	54,096	68,415
<b>TOTAL EQUITY . . . . .</b>		<b>61,607</b>	<b>62,843</b>	<b>64,096</b>	<b>78,415</b>

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**I. FINANCIAL INFORMATION (continued)**

**Statements of changes in equity**

	Attributable to owners of the parent			
	Paid up capital	Capital reserve	Accumulated losses	Total equity
	RMB'000 (note 27)	RMB'000	RMB'000	RMB'000
At 1 January 2010 . . . . .	10,000	541	(29,893)	(19,352)
Profit and total comprehensive income for the year . . . . .	–	–	8,699	8,699
Deemed contribution . . . . .	–	72,260**	–	72,260
At 31 December 2010 and 1 January 2011 . . . . .	10,000	72,801*	(21,194)*	61,607
Profit and total comprehensive income for the year . . . . .	–	–	371	371
Deemed contribution . . . . .	–	865**	–	865
At 31 December 2011 and 1 January 2012 . . . . .	10,000	73,666*	(20,823)*	62,843
Profit and total comprehensive income for the year . . . . .	–	–	1,253	1,253
At 31 December 2012 and 1 January 2013 . . . . .	10,000	73,666*	(19,570)*	64,096
Profit and total comprehensive income for the period . . . . .	–	–	14,319	14,319
At 30 September 2013 . . . . .	10,000	73,666*	(5,251)*	78,415
At 1 January 2012 . . . . .	10,000	73,666	(20,823)	62,843
Profit and total comprehensive income for the period . . . . .	–	–	9,551	9,551
At 30 September 2012 (unaudited).	10,000	73,666	(11,272)	72,394

\* These reserve accounts comprise the reserves of RMB51,607,000, RMB52,843,000, RMB54,096,000 and RMB68,415,000 in the statements of financial position as at 31 December 2010, 2011, 2012 and 30 September 2013, respectively.

\*\* The balance represents corporate income tax attributable to the business of Chongqing Caribbean prior to its demerger from Chongqing Pole Property as a deemed contribution.

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**I. FINANCIAL INFORMATION (continued)**

**Statements of cash flows**

	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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Profit before tax . . . . .		11,780	764	6,410	13,366	18,452
Adjustments for:						
Depreciation of property, plant and equipment . . . . .	10	10,862	11,313	11,604	8,449	8,013
Amortisation of intangible assets . . . . .	13	62	63	63	46	46
Amortisation of prepaid land lease payments . . . . .	12	74	295	184	139	139
Loss on disposal of items of property, plant and equipment . . . . .	7	–	–	7	7	1
Government grant recognised . . . . .	7	(9,223)	(7,784)	(8,760)	(6,571)	(6,571)
Net (loss)/gain from fair value						
Adjustment of investment properties . . . . .	11	(6,610)	13,734	(2,000)	(2,000)	(2,000)
Finance costs . . . . .	6	–	–	4,866	3,776	2,328
Interest income . . . . .	7	(11)	(42)	(11)	(11)	(26)
		6,934	18,343	12,363	17,201	20,382
(Increase)/decrease in completed properties held for sale . . . . .		–	(465)	(1,118)	465	–
Increase in properties under development . . . . .		–	–	(688)	(350)	–
(Increase)/decrease in inventories . . . . .		(619)	416	(433)	(44)	395
(Decrease)/increase in trade receivables . . . . .		(521)	(147)	(450)	(284)	61
Increase/(decrease) in prepayments, deposits and other receivables . . . . .		(8)	(79)	(219)	(615)	(584)
Increase/(decrease) in trade payables . . . . .		57	(471)	163	(850)	(3,029)
Increase in advances from customers . . . . .		–	6	10	98	99
(Decrease)/increase in other payables and accruals . . . . .		(622)	1,761	2,824	1,399	983
		5,221	19,364	12,452	17,020	18,307
Interest received . . . . .		11	42	11	11	26
Interest paid . . . . .		–	–	(4,866)	(3,776)	(2,328)
<b>Net cash flows from operating activities . . . . .</b>		<b>5,232</b>	<b>19,406</b>	<b>7,597</b>	<b>13,255</b>	<b>16,005</b>

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**I. FINANCIAL INFORMATION (continued)**

**Statements of cash flows (continued)**

<i>Notes</i>	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)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchases of items of property, plant and equipment. . . . .	(1,509)	(1,216)	(4,052)	(2,574)	(3,648)
(Increase)/decrease in an amount due from a related company. . . . .	(280)	–	280	–	–
(Increase)/decrease in amount due from fellow subsidiaries . . . . .	(91)	(520)	(217)	(217)	749
<b>Net cash flows used in investing activities . . . . .</b>	<b><u>(1,880)</u></b>	<b><u>(1,736)</u></b>	<b><u>(3,989)</u></b>	<b><u>(2,791)</u></b>	<b><u>(2,899)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Capital contribution . . . . .	–	10,000	–	–	–
Inception of finance lease. . . . .	–	60,000	–	–	–
Repayment of finance lease payables . . . . .	–	(14,719)	(11,827)	(7,367)	(14,309)
Increase in government grants . . . . .	301,910	9,104	–	–	–
Increase in an amount due to a fellow subsidiary . . . . .	–	–	–	–	3,473
Increase in an amount due to the immediate holding company . . . . .	–	–	20	–	–
(Decrease)/increase in an amount due to an intermediate holding company . . . . .	(305,891)	(72,167)	(1,747)	(12,978)	3,693
<b>Net cash flows used in financing activities . . . . .</b>	<b><u>(3,981)</u></b>	<b><u>(7,782)</u></b>	<b><u>(13,554)</u></b>	<b><u>(20,345)</u></b>	<b><u>(7,143)</u></b>
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS . . . . .</b>	<b><u>(629)</u></b>	<b><u>9,888</u></b>	<b><u>(9,946)</u></b>	<b><u>(9,881)</u></b>	<b><u>5,963</u></b>

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**I. FINANCIAL INFORMATION (continued)**

**Statements of cash flows (continued)**

<i>Notes</i>	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)	
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS . . . . .</b>	(629)	9,888	(9,946)	(9,881)	5,963
Cash and cash equivalents at beginning of year/period . . . . .	952	323	10,211	10,211	265
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD . . . . .</b>	323	10,211	265	330	6,228
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>					
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENTS OF FINANCIAL POSITION AND CASH FLOWS . . . . .</b>	323	10,211	265	330	6,228

## APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN

### II. NOTES TO THE FINANCIAL INFORMATION

#### 1.1 CORPORATE INFORMATION

Chongqing Caribbean is a domestic private enterprise established in the PRC. The registered office of Chongqing Caribbean is located in Mainland China. The principal activities of Chongqing Caribbean are the operation of an entertainment theme park, and property development and holding.

In the opinion of the directors, the immediate holding company of Chongqing Caribbean is Haichang Property Group, which is established in Mainland China and the ultimate holding company of Chongqing Caribbean is Sea-rich Oil (Singapore) Pte. Ltd., which is incorporated in Singapore, as at 30 September 2013.

#### 1.2 BASIS OF PREPARATION

The Chongqing Caribbean 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 Chongqing Caribbean in the preparation of the Financial Information throughout the Relevant Periods.

This Chongqing Caribbean Financial Information has been prepared under the historical cost convention, except for investment properties which have been measured at fair value. The Chongqing Caribbean 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, Chongqing Caribbean had net current liabilities of RMB118,446,000. Haichang Property Group has undertaken to provide continuous financial support to enable Chongqing Caribbean to meet its liabilities as and when they fall due. In the opinion of the directors of Chongqing Caribbean, Chongqing Caribbean 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 headed "History, Reorganisation and Corporate Structure" in the Prospectus, Chongqing Caribbean was previously a branch of Chongqing Pole Property which carried out the businesses of residential property development, and theme park operation and ancillary commercial property development and holding (the "Park Operation"). Pursuant to a demerger exercise, Chongqing Caribbean was demerged from Chongqing Pole Property and established as a separate legal entity. For the purpose of the demerger exercise, the related assets and liabilities of the Park Operation were transferred from Chongqing Pole Property to Chongqing Caribbean according to an agreement entered into between Chongqing Caribbean and Chongqing Pole Property to continue the Park Operation.

The statements of profit or loss and comprehensive income, statements of changes in equity and statements of cash flows of Chongqing Caribbean for the Relevant Periods include the results and cash flows from the beginning of the Relevant Period as if the Park Operation of Chongqing Pole Property had been demerged from and transferred to Chongqing Caribbean since the beginning of the Relevant Periods. The statements of financial position of Chongqing Caribbean 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 from and transferred to Chongqing Caribbean at those dates.

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### II. NOTES TO THE FINANCIAL INFORMATION (continued)

#### 2.1 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>3</sup> No mandatory effective date yet determined but is available for adoption

Chongqing Caribbean 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.

An assessment is made at the end of each reporting period 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.

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### II. NOTES TO THE FINANCIAL INFORMATION (continued)

#### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Related parties

A party is considered to be related to Chongqing Caribbean 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 Chongqing Caribbean;
  - (ii) has significant influence over Chongqing Caribbean; or
  - (iii) is a member of the key management personnel of Chongqing Caribbean or of a parent of the Company;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and Chongqing Caribbean 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 Chongqing Caribbean 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 Chongqing Caribbean or an entity related to Chongqing Caribbean;
  - (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 Chongqing Caribbean or is a member of the key management personnel of the Chongqing Caribbean (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 capitalised 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, Chongqing Caribbean recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

## APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN

### 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.

Park and other buildings . . . . .	20 to 40 years
Machinery . . . . .	5 to 15 years
Motor vehicles . . . . .	5 years
Office equipment and furniture . . . . .	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 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 equipment under installation, which is stated at cost less any impairment losses, and is 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.

##### Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statements of profit or loss and comprehensive income in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statements of profit or loss and comprehensive income in the year of the retirement or disposal.

##### 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 amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

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

Trademark . . . . .	10 years
Computer software . . . . .	10 years

## **II. NOTES TO THE FINANCIAL INFORMATION (continued)**

### **2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Leases**

Leases that transfer substantially all the rewards and risks of ownership of assets to Chongqing Caribbean, 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 Chongqing Caribbean is the lessor, assets leased by Chongqing Caribbean under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where Chongqing Caribbean is the lessee, rentals payable under 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.

#### **Financial assets**

##### ***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as loans and receivables, as appropriate. Chongqing Caribbean determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, 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 Chongqing Caribbean 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.

**II. NOTES TO THE FINANCIAL INFORMATION (continued)****2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****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 (ie. removed from the Group's combined statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- Chongqing Caribbean 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) Chongqing Caribbean has transferred substantially all the risks and rewards of the asset, or (b) Chongqing Caribbean has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Chongqing Caribbean 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, Chongqing Caribbean continues to recognise the transferred assets to the extent of Chongqing Caribbean's continuing involvement in the asset. In that case, Chongqing Caribbean also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Chongqing Caribbean has retained.

**Impairment of financial assets**

Chongqing Caribbean 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 and that loss event 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 individually 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.

The amount of an 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).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statements of profit or loss and 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 realized or has been transferred to Chongqing Caribbean.

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

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 future write-off is later recovered, the recovery is credited to other expenses in the statements of profit or loss and comprehensive income.

In relation to 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 Chongqing Caribbean 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.

**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.

Chongqing Caribbean's financial liabilities include trade payables, other payables and accrual, amounts due to a fellow subsidiary amount due to an intermediate holding company, amounts due to the immediate holding company and finance lease payables.

***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 profit or loss 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 profit or loss.



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

**Cash and cash equivalents**

For the purpose of the consolidated 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 Chongqing Caribbean's cash management.

For the purpose of the consolidated 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 statement of profit or loss, 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 the Chongqing Caribbean 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.

## APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN

### II. NOTES TO THE FINANCIAL INFORMATION (continued)

#### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

##### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to Chongqing Caribbean 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 Chongqing Caribbean maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of services, when the services are rendered;
- (c) from ticket sales, when receiving ticket fare or rights to collect money from tourist parties; and
- (d) rental income, on a time proportion basis over the lease terms.

##### Employee benefits

Pursuant to the relevant regulations of the PRC government, Chongqing Caribbean has participated in a local municipal government retirement benefit scheme (the "Scheme"), whereby Chongqing Caribbean 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 the Chongqing Caribbean 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.

##### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Other borrowing costs are recognised as expenses when incurred. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## II. NOTES TO THE FINANCIAL INFORMATION (continued)

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Chongqing Caribbean'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.

#### **Judgements**

In the process of applying Chongqing Caribbean's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### **(i) Operating lease commitments – Chongqing Caribbean as lessor**

Chongqing Caribbean has entered into commercial property leases on its investment property portfolio. Chongqing Caribbean has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

#### **(ii) Sale and finance lease back – Chongqing Caribbean as lessee**

Chongqing Caribbean has entered into sale and finance lease back arrangements on certain of the theme park entertainment machinery. Chongqing Caribbean has determined that it retains all the significant risks and rewards of ownership of these machineries under such sale and finance lease back arrangements.

#### **(iii) Classification between investment properties and owner-occupied properties**

Chongqing Caribbean determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, Chongqing Caribbean considers whether a property generates cash flows largely independently of the other assets held by Chongqing Caribbean.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, Chongqing Caribbean accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

#### **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) Allocation of construction cost on properties under development and investment properties under construction**

When developing properties, Chongqing Caribbean typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to each phase are allocated to each phase based on the saleable/usable floor area of each phase as a percentage of the total saleable/usable floor area of the entire project. For properties under development, the cost of the unit sold is determined by the floor area in square metres sold during the year multiplied by the average cost per square metre of that particular phase of the project.

## APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN

### II. NOTES TO THE FINANCIAL INFORMATION (continued)

#### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

##### Estimation uncertainty (continued)

##### *(ii) PRC Corporate Income Tax ("CIT")*

Chongqing Caribbean is subject to income taxes in Mainland China. As a result of the fact that certain matters relating to income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

##### *(iii) 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.

##### *(iv) Estimation of Fair value of investment properties*

In the absence of current prices in an active market for similar properties, Chongqing Caribbean considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties was RMB188,734,000, RMB175,000,000, RMB177,000,000 and RMB179,000,000 at 31 December 2010, 2011, 2012 and 30 September 2013 Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 11 to the financial statements.

##### *(v) Impairment of non-financial assets (other than goodwill)*

Chongqing Caribbean assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details, including a sensitivity analysis of key assumptions, are given in note 10, 12, 13 to Chongqing Caribbean Financial Information.

**II. NOTES TO THE FINANCIAL INFORMATION (continued)****3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)****Estimation uncertainty (continued)****(v) Impairment of non-financial assets (other than goodwill) (continued)**

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, Chongqing Caribbean 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.

**(vi) 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.

**(vii) Valuation of properties under development and properties held for sale**

Properties under development and properties held for sale are stated at lower of cost and net realisable value. The cost of each phase of development is determined using the weighted average method. The estimated net realisable value is the estimated selling price less estimated selling expense and the estimated cost of completion (if any), which are estimated based on the best available information.

**4. OPERATING SEGMENT INFORMATION**

For management purposes, Chongqing Caribbean 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 development, construction and operation of an entertainment theme park; and
- (b) Property development and holding segment is engaged in the management of Chongqing Caribbean's developed and operating properties for rental income potential and for capital appreciation.

Management monitors the results of Chongqing Caribbean'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 intangible assets, deferred tax assets, an amount due from a related company, an amount due from the immediate holding company, amounts due from fellow subsidiaries, cash and bank balances and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude amounts due to related companies, an amount due to the immediate holding company, an amount due to an intermediate holding company, finance lease payables and deferred tax liabilities as these liabilities are managed on a group basis.

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

<b>APPENDIX IC      ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN</b>
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**II. NOTES TO THE FINANCIAL INFORMATION (continued)**

**4. OPERATING SEGMENT INFORMATION (continued)**

**Operating segments**

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

	<b>Park operation</b>	<b>Property development and holding</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Year ended 31 December 2010</b>			
<b>Segment revenue</b>			
Sales to external customers . . . . .	27,024	667	27,691
<b>Segment results</b> . . . . .			8,336
<i>Reconciliations:</i>			
Unallocated income . . . . .			18,598
Unallocated expenses . . . . .			(15,154)
Profit before tax . . . . .			11,780
<b>31 December 2010</b>			
<b>Segment assets</b> . . . . .			
	249,473	390,035	639,508
<i>Reconciliations:</i>			
Corporate and other unallocated assets . . . . .			102,651
Total assets . . . . .			742,159
<b>Segment liabilities</b> . . . . .			
	–	–	–
<i>Reconciliations:</i>			
Corporate and other unallocated liabilities . . . . .			680,552
Total liabilities . . . . .			680,552
<b>Other segment information</b>			
Depreciation and amortisation			
Segment . . . . .	10,998	–	10,998
Capital expenditure*			
Unallocated . . . . .			1,509

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

<b>APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN</b>
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**II. NOTES TO THE FINANCIAL INFORMATION (continued)**

**4. OPERATING SEGMENT INFORMATION (continued)**

**Operating segments (continued)**

	<b>Park operation</b>	<b>Property development and holding</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Year ended 31 December 2011</b>			
<b>Segment revenue</b>			
Sales to external customers . . . . .	36,686	667	37,353
<b>Segment results</b> . . . . .			12,871
<i>Reconciliations:</i>			
Unallocated income . . . . .			12,482
Unallocated expenses . . . . .			(24,589)
Profit before tax . . . . .			764
<b>31 December 2011</b>			
<b>Segment assets</b> . . . . .	212,734	376,765	589,499
<i>Reconciliations:</i>			
Corporate and other unallocated assets . . . . .			129,626
Total assets . . . . .			719,125
<b>Segment liabilities</b> . . . . .	–	–	–
<i>Reconciliations:</i>			
Corporate and other unallocated liabilities . . . . .			656,282
Total liabilities . . . . .			656,282
<b>Other segment information</b>			
Depreciation and amortisation			
Segment . . . . .	11,671	–	11,671
Capital expenditure*			
Unallocated . . . . .			1,216

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

<b>APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN</b>
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**II. NOTES TO THE FINANCIAL INFORMATION (continued)**

**4. OPERATING SEGMENT INFORMATION (continued)**

**Operating segments (continued)**

	Park operation	Property development and holding	Total
	RMB'000	RMB'000	RMB'000
<b>Year ended 31 December 2012</b>			
<b>Segment revenue</b>			
Sales to external customers . . . . .	33,871	667	34,538
<b>Segment results</b> . . . . .			7,234
<i>Reconciliations:</i>			
Unallocated income . . . . .			15,074
Unallocated expenses . . . . .			(11,032)
Finance costs . . . . .			(4,866)
Profit before tax . . . . .			6,410
<b>31 December 2012</b>			
<b>Segment assets</b> . . . . .	209,391	380,571	589,962
<i>Reconciliations:</i>			
Corporate and other unallocated assets . . . . .			111,099
Total assets . . . . .			701,061
<b>Segment liabilities</b> . . . . .	-	-	-
<i>Reconciliations:</i>			
Corporate and other unallocated liabilities . . . . .			636,965
Total liabilities . . . . .			636,965
<b>Other segment information</b>			
Depreciation and amortisation			
Segment . . . . .	11,500	351	11,851
Capital expenditure*			
Unallocated . . . . .			4,052

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



<b>APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN</b>
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**II. NOTES TO THE FINANCIAL INFORMATION (continued)**

**4. OPERATING SEGMENT INFORMATION (continued)**

**Operating segments (continued)**

	<b>Park operation</b>	<b>Property development and holding</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Nine months ended 30 September 2013</b>			
<b>Segment revenue</b>			
Sales to external customers . . . . .	38,887	828	39,715
<b>Segment results</b> . . . . .			19,120
<i>Reconciliations:</i>			
Unallocated income . . . . .			13,418
Unallocated expenses . . . . .			(11,759)
Finance costs . . . . .			(2,328)
Profit before tax . . . . .			18,452
<b>30 September 2013</b>			
<b>Segment assets</b> . . . . .	<b>204,244</b>	<b>380,989</b>	<b>585,233</b>
<i>Reconciliations:</i>			
Corporate and other unallocated assets . . . . .			114,486
Total assets . . . . .			699,719
<b>Segment liabilities</b> . . . . .	-	-	-
<i>Reconciliations:</i>			
Corporate and other unallocated liabilities . . . . .			621,304
Total liabilities . . . . .			621,304
<b>Other segment information</b>			
Depreciation and amortisation			
Segment . . . . .	7,933	265	8,198
Capital expenditure*			
Unallocated . . . . .			3,648

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

<b>APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN</b>
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**II. NOTES TO THE FINANCIAL INFORMATION (continued)**

**4. OPERATING SEGMENT INFORMATION (continued)**

**Operating segments (continued)**

	<b>Park operation</b>	<b>Property development and holding</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Nine months ended 30 September 2012</b>			
<b>Unaudited</b>			
<b>Segment revenue</b>			
Sales to external customers . . . . .	31,916	500	32,416
<b>Segment results</b> . . . . .			13,960
<i>Reconciliations:</i>			
Unallocated income . . . . .			12,761
Unallocated expenses . . . . .			(9,579)
Finance costs . . . . .			(3,776)
Profit before tax . . . . .			13,366
<b>Other segment information</b>			
Depreciation and amortisation			
Segment . . . . .	8,201	433	8,634
Capital expenditure*			
Unallocated . . . . .			2,574

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

**Information about major customers**

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

## APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN

### II. NOTES TO THE FINANCIAL INFORMATION (continued)

#### 5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also Chongqing Caribbean's turnover, represents income from the sales of tickets for the entertainment theme park operation and the sales of goods for restaurant services and retail store 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
				(Unaudited)	
<b>Revenue</b>					
Ticket sales . . . . .	24,501	33,088	30,521	28,574	33,960
Food and beverage sales . . .	2,329	3,596	3,350	3,342	4,927
Sales of goods . . . . .	194	2	–	–	–
Rental income . . . . .	667	667	667	500	828
	27,691	37,353	34,538	32,416	39,715

	<i>Notes</i>	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)	
<b>Other income</b>						
Government grants . . . . .	26	9,223	7,784	8,760	6,571	6,571
Interest income . . . . .	7	11	42	11	11	26
Others . . . . .		2,754	4,656	4,303	4,179	4,821
		11,988	12,482	13,074	10,761	11,418
<b>Gains</b>						
Fair value gains on investment properties . . . . .	11	6,610	–	2,000	2,000	2,000
		18,598	12,482	15,074	12,761	13,418

#### 6. FINANCE COSTS

	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)	
Interest on finance leases . . . . .	–	–	4,866	3,776	2,328
	–	–	4,866	3,776	2,328

## APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN

### II. NOTES TO THE FINANCIAL INFORMATION (continued)

#### 7. PROFIT BEFORE TAX

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

	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
Cost of inventories sold . . . . .		933	1,383	1,096	1,093	1,585
Cost of services provided . . . . .		18,817	23,392	25,320	17,362	19,010
Depreciation . . . . .	10	10,862	11,313	11,604	8,449	8,013
Amortisation of prepaid land lease payments . . . . .	12	74	295	184	139	139
Amortisation of intangible assets . . . . .	13	62	63	63	46	46
Loss on disposal of items of property, plant and equipment . . . . .		–	–	7	7	1
Minimum lease payment under operating leases in respect of buildings . . . . .		139	139	139	104	58
Employee benefit expense (excluding directors' Remuneration):						
Wages and salaries . . . . .		6,093	6,078	8,522	7,196	6,897
Pension scheme costs . . . . .		1,318	1,249	1,818	1,446	1,351
		<u>7,411</u>	<u>7,327</u>	<u>10,340</u>	<u>8,642</u>	<u>8,248</u>
Fair value losses/(gains) on investment properties . . . . .	11	(6,610)	13,734	(2,000)	(2,000)	(2,000)
Government grants recognised . . . . .	26	(9,223)	(7,784)	(8,760)	(6,571)	(6,571)
Interest income . . . . .	5	<u>(11)</u>	<u>(42)</u>	<u>(11)</u>	<u>(11)</u>	<u>(26)</u>

#### 8. DIRECTORS, CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

##### (a) Directors and chief executive

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

There were no other emoluments payable to the independent non-executive directors during 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.

## APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN

### II. NOTES TO THE FINANCIAL INFORMATION (continued)

#### 8. DIRECTORS, CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (continued)

##### (b) Five highest paid employees

Details of the remuneration of the 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 the Chongqing Caribbean 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 kind . . . . .	276	258	346	302	324
Performance related bonuses . . . . .	40	101	118	–	–
Pension scheme contributions . . . . .	45	45	56	42	42
	361	404	520	344	366

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

#### 9. 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 Chongqing Caribbean in Mainland China.

Income tax in the statement of profit or loss 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)	
Mainland China:					
Current . . . . .	72,260	865	–	–	–
Deferred ( <i>note 14</i> ) . . . . .	(69,179)	(472)	5,157	3,815	4,133
Total tax charge for the year/period . . . . .	3,081	393	5,157	3,815	4,133

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 . . . . .	11,780	764	6,411	13,366	18,451
At the statutory income tax rates . . . . .	2,945	191	1,603	3,342	4,612
Tax losses not recognised . . . . .	–	–	2,322	–	–
Tax losses utilized . . . . .	–	–	–	–	(539)
Expenses not deductible for tax . . . . .	136	202	1,232	473	60
Tax charge for the year/period . . . . .	3,081	393	5,157	3,815	4,133

**APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN**

**II. NOTES TO THE FINANCIAL INFORMATION (continued)**

**10. PROPERTY, PLANT AND EQUIPMENT**

	<b>Park and other buildings</b>	<b>Machinery</b>	<b>Motor vehicles</b>	<b>Office equipment and furniture</b>	<b>Construc- tion in progress</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Cost</b>						
At 1 January 2010 . . . . .	202,316	60,843	219	4,940	–	268,318
Additions . . . . .	–	22	1,016	442	29	1,509
At 31 December 2010 and 1 January 2011 . . . . .	202,316	60,865	1,235	5,382	29	269,827
Additions . . . . .	–	2	163	602	449	1,216
At 31 December 2011 and 1 January 2012 . . . . .	202,316	60,867	1,398	5,984	478	271,043
Additions . . . . .	726	3	8	1,700	1,615	4,052
Transfers . . . . .	–	–	–	478	(478)	–
Disposals . . . . .	–	–	–	(15)	–	(15)
At 31 December 2012 and 1 January 2013 . . . . .	203,042	60,870	1,406	8,147	1,615	275,080
Additions . . . . .	–	–	94	2,122	1,432	3,648
Transfers . . . . .	–	–	–	1,615	(1,615)	–
Disposals . . . . .	–	–	–	(26)	–	(26)
At 30 September 2013 . . . . .	203,042	60,870	1,500	11,858	1,432	278,702
<b>Accumulated depreciation</b>						
At 1 January 2010 . . . . .	(3,347)	(2,370)	(21)	(465)	–	(6,203)
Depreciation for the year . . . . .	(5,738)	(4,066)	(86)	(972)	–	(10,862)
At 31 December 2010 and 1 January 2011 . . . . .	(9,085)	(6,436)	(107)	(1,437)	–	(17,065)
Depreciation for the year . . . . .	(5,738)	(4,067)	(343)	(1,165)	–	(11,313)
At 31 December 2011 and 1 January 2012 . . . . .	(14,823)	(10,503)	(450)	(2,602)	–	(28,378)
Depreciation for the year . . . . .	(5,738)	(4,081)	(266)	(1,519)	–	(11,604)
Disposals . . . . .	–	–	–	8	–	8
At 31 December 2012 and 1 January 2013 . . . . .	(20,561)	(14,584)	(716)	(4,113)	–	(39,974)
Depreciation for the period . . . . .	(4,273)	(2,068)	(194)	(1,478)	–	(8,013)
Disposals . . . . .	–	–	–	25	–	25
At 30 September 2013 . . . . .	(24,834)	(16,652)	(910)	(5,566)	–	(47,962)
<b>Net carrying amount</b>						
At 31 December 2010 . . . . .	193,231	54,429	1,128	3,945	29	252,762
At 31 December 2011 . . . . .	187,493	50,364	948	3,382	478	242,665
At 31 December 2012 . . . . .	182,481	46,286	690	4,034	1,615	235,106
At 30 September 2013 . . . . .	178,208	44,218	590	6,292	1,432	230,740

Included in the property, plant and equipment as at 31 December 2010, 2011 and 2012, 30 September 2013 were certain machinery with net carrying amount of nil, RMB48,329,000, RMB42,064,000 and RMB37,365,000, respectively, which were held under finance leases.

## APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN

### II. NOTES TO THE FINANCIAL INFORMATION (continued)

#### 11. INVESTMENT PROPERTIES

	<b>RMB'000</b>
At 1 January 2010 . . . . .	182,124
Net gain from fair value adjustments . . . . .	6,610
At 31 December 2010 and 1 January 2011 . . . . .	188,734
Net loss from fair value adjustments . . . . .	(13,734)
At 31 December 2011 and 1 January 2012 . . . . .	175,000
Net gains from fair value adjustments . . . . .	2,000
At 31 December 2012 and 1 January 2013 . . . . .	177,000
Net gains from fair value adjustments . . . . .	2,000
At 30 September 2013 . . . . .	179,000

Chongqing Caribbean's investment properties are situated on the lands in Mainland China that are held under medium term leases. Certain investment properties are leased to third parties under operating lease, for the summary details of which are included in note 28(a).

Chongqing Caribbean's investment properties as at 31 December 2010 were revalued by Censere (Far East) Limited, independent professional qualified valuers, on an open market, existing use basis.

Chongqing Caribbean's investment properties were revalued on 31 December 2011, 2012 and 30 September 2013 by Debenham Tie Leung Shenzhen Valuation Company Limited – Beijing Branch independent professional valuers, on an open market, existing use basis.

Included in the completed investment properties were certain buildings with carrying values of RMB188,734,000, RMB175,000,000, RMB177,000,000 and RMB179,000,000, as at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively for which the property certificates have not been obtained.

#### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

<b>Fair value measurement as at 31 December 2010 using</b>				
	<b>Quoted prices in active markets (Level 1)</b>	<b>Significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Recurring fair value measurement for:				
Commercial properties . . . . .	–	–	188,734	188,734
	–	–	188,734	188,734
<b>Fair value measurement as at 31 December 2011 using</b>				
	<b>Quoted prices in active markets (Level 1)</b>	<b>Significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Recurring fair value measurement for:				
Commercial properties . . . . .	–	–	175,000	175,000
	–	–	175,000	175,000

## APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN

### II. NOTES TO THE FINANCIAL INFORMATION (continued)

#### 11. INVESTMENT PROPERTIES (continued)

##### Fair value hierarchy (continued)

	Fair value measurement as at 31 December 2012 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement for:				
Commercial properties . . . . .	–	–	177,000	177,000

	Fair value measurement as at 30 September 2013 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement for:				
Commercial properties . . . . .	–	–	179,000	179,000

During the year ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January . . . . .	182,124	188,734	175,000	177,000
Net gain/(loss) from fair value adjustments recognised in other income in profit or loss . . . . .	6,610	(13,734)	2,000	2,000
Carrying amount at 31 December/30 September . . . . .	188,734	175,000	177,000	179,000

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Commercial properties	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Year ended 31 December 2010 . . . . .	Income method	Market month rental rate (RMB/Square meter ("Sq.m"))	45-67.5 4.4%-4.8%
Year ended 31 December 2011 . . . . .	Market comparison method	Market unit sale rate (RMB/Sq.m)	10,800
	Income method	Market month rental rate (RMB/Sq.m) Capitalization rate	57 7%
Year ended 31 December 2012 . . . . .	Market comparison method	Market unit sale rate (RMB/Sq.m)	10,800



## APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN

### II. NOTES TO THE FINANCIAL INFORMATION (continued)

#### 11. INVESTMENT PROPERTIES (continued)

##### Fair value hierarchy (continued)

Commercial properties	Valuation techniques	Significant unobservable inputs	Range (weighted average)
	Income method	Market month rental rate (RMB/Sq.m) Capitalization rate	57 7%
Year ended 30 September 2013 . . .	Income method	Market month rental rate (RMB/Sq.m) Capitalization rate	64 6.5%

The investment properties have been valued on the basis that the properties will be developed and completed in accordance with the relevant development plans. They are determined using the market comparison approach by making references to comparable sale evidence as available in the relevant market, with adjustments for development costs to be expended to complete the properties.

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

A significant increase (decrease) in the market unit sale rate would result in a significant increase (decrease) in the fair value of the investment properties.

#### 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 . . . . .	6,747	6,673	6,378	6,194
Amortised during the year/period . . . . .	(74)	(295)	(184)	(139)
Carrying amount at end of the year/period . . . . .	6,673	6,378	6,194	6,055
Current portion included in prepayments, deposits and other receivables ( <i>note 19</i> ) . . . . .	(295)	(184)	(184)	(184)
Non-current portion . . . . .	6,378	6,194	6,010	5,871

Chongqing Caribbean's leasehold lands are situated in Mainland China and are held under medium term leases.

The Company experienced delay in the commencement of construction of land. Under the relevant PRC laws, the Company may be subject to penalties from relevant government authorities as a result of the delay in the commencement of construction. Having considered the advice of the Company's legal counsel, the directors of the Company are of opinion that the payment of penalties is remote and no provision is required. As of 30 September 2013, the construction of the relevant park and ancillary facilities on the parcel of the land was completed.

<b>APPENDIX IC</b>	<b>ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN</b>
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## II. NOTES TO THE FINANCIAL INFORMATION (continued)

### 13. INTANGIBLE ASSETS

The movements of intangible assets are analysed as follows:

	Trademark	Computer software	Total
	RMB'000	RMB'000	RMB'000
<b>31 December 2010</b>			
At 1 January 2010, net of accumulated amortisation . . . . .	283	140	423
Amortisation . . . . .	(32)	(30)	(62)
At 31 December 2010, net of accumulated amortisation . . . . .	251	110	361
At 31 December 2010			
Cost . . . . .	300	162	462
Accumulated amortisation. . . . .	(49)	(52)	(101)
Carrying amount. . . . .	251	110	361
<b>31 December 2011</b>			
At 1 January 2011, net of accumulated amortisation . . . . .	251	110	361
Amortisation . . . . .	(30)	(33)	(63)
At 31 December 2011, net of accumulated amortisation . . . . .	221	77	298
At 31 December 2011			
Cost . . . . .	300	162	462
Accumulated amortisation. . . . .	(79)	(85)	(164)
Net carrying amount . . . . .	221	77	298
<b>31 December 2012</b>			
At 1 January 2012, net of accumulated amortisation . . . . .	221	77	298
Amortisation . . . . .	(30)	(33)	(63)
At 31 December 2012, net of accumulated amortisation . . . . .	191	44	235
At 31 December 2012			
Cost . . . . .	300	162	462
Accumulated amortisation. . . . .	(109)	(118)	(227)
Net carrying amount . . . . .	191	44	235
<b>30 September 2013</b>			
At 1 January 2013, net of accumulated amortisation . . . . .	191	44	235
Amortisation . . . . .	(22)	(24)	(46)
At 30 September 2013, net of accumulated amortisation . . . . .	169	20	189
At 30 September 2013			
Cost . . . . .	300	162	462
Accumulated amortisation. . . . .	(131)	(142)	(273)
Net carrying amount . . . . .	169	20	189

## APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN

### II. NOTES TO THE FINANCIAL INFORMATION (continued)

#### 14. DEFERRED TAX ASSETS/LIABILITIES

The movements in deferred tax liabilities and assets are as follows:

##### Deferred tax liabilities

	Interest capitalised	Fair value adjustment of investment properties	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2010, 31 December 2010, 1 January 2011, 31 December 2011, 1 January 2012 and 31 December 2012 and 1 January 2013 . . . . .	1,931	–	1,931
Charged to the statement of profit or loss . . . . .	–	2,090	2,090
As at 30 September 2013 . . . . .	1,931	2,090	4,021

##### Deferred tax assets

	Fair value adjustment of investment properties	Government grants	Accruals	Depreciation allowance in excess of related depreciation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2010 . . . . .	7,585	5,013	–	–	12,598
Credited/(charged) to the statement of profit or loss . . . . .	(3,993)	73,172	–	–	69,179
As at 31 December 2010 and 1 January 2011 . . . . .	3,592	78,185	–	–	81,777
Credited to the statement of profit or loss . . . . .	142	330	–	–	472
As at 31 December 2011 and 1 January 2012 . . . . .	3,734	78,515	–	–	82,249
Credited/(charged) to profit or loss . . . . .	(3,388)	(2,190)	361	60	(5,157)
As at 31 December 2012 . . . . .	346	76,325	361	60	77,092
Credited/(charged) to the statement of profit or loss . . . . .	(346)	(1,643)	(76)	22	(2,043)
As at 30 September 2013 . . . . .	–	74,682	285	82	75,049

For the purpose of the financial statement presentation, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances of Chongqing Caribbean for financial reporting purposes:

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets recognised in the statement of financial position . . . . .	79,846	80,318	75,161	71,028

**APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN**

**II. NOTES TO THE FINANCIAL INFORMATION (continued)**

**14. DEFERRED TAX ASSETS/LIABILITIES (continued)**

**Deferred tax assets (continued)**

Deferred tax assets have not been recognised in respect of the following items:

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Tax losses not recognised for deferred tax assets . . . . .	–	–	9,289	7,133

In accordance with the PRC laws and regulations, tax losses arising in Mainland China could be carried forward for a period of five years to offset against the Company's future taxable profits.

Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

**15. COMPLETED PROPERTIES HELD FOR SALE**

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at end of the year/period . . . . .	82,231	82,696	83,814	83,814

**16. PROPERTIES UNDER DEVELOPMENT**

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of the year/period . . . . .	119,070	119,070	119,070	119,758
Additions . . . . .	–	–	688	–
Carrying amount at end of the year/period . . . . .	119,070	119,070	119,758	119,758

**17. INVENTORIES**

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Merchandise goods . . . . .	836	420	853	458

## APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN

### II. NOTES TO THE FINANCIAL INFORMATION (continued)

#### 18. TRADE RECEIVABLES

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables . . . . .	901	1,048	1,498	1,437

An aged analysis of the trade receivables as at the end of the reporting period, 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 . . . . .	170	169	169	169
Over 90 days and within one year . . . . .	498	499	497	497
Over one year . . . . .	233	380	832	771
	901	1,048	1,498	1,437

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired . . . . .	901	1,048	1,498	1,437

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

#### 19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments . . . . .	26	45	186	237
Deposits and other receivables . . . . .	25	85	163	696
	51	130	349	933
Current portion of prepaid land lease payments ( <i>note 12</i> ) . . . . .	295	184	184	184
	346	314	533	1,117

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

#### 20. DUE FROM/TO A RELATED COMPANY, FELLOW SUBSIDIARIES, AN INTERMEDIATE HOLDING COMPANY AND THE IMMEDIATE HOLDING COMPANY

The amounts with a related company, fellow subsidiaries, an intermediate holding company and the immediate holding company 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.

## APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN

### II. NOTES TO THE FINANCIAL INFORMATION (continued)

#### 21. CASH AND CASH EQUIVALENTS

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances . . . . .	323	10,211	265	6,228

All 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, Chongqing Caribbean 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 cash and bank 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.

#### 22. TRADE PAYABLES

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables . . . . .	9,378	8,907	9,070	6,041

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 amount due to their relatively short maturity term.

#### 23. OTHER PAYABLES AND ACCRUALS

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables . . . . .	599	579	2,626	1,954
Accruals . . . . .	395	2,176	2,953	4,608
	994	2,755	5,579	6,562

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

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

#### 24. ADVANCES FROM CUSTOMERS

Advances from customers represented security deposits received from travel agencies.

## APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN

### II. NOTES TO THE FINANCIAL INFORMATION (continued)

#### 25. FINANCE LEASE PAYABLES

Chongqing Caribbean carries out sale and lease back arrangements for certain of its equipment and machinery. The sale and lease back arrangements are classified as finance leases and have remaining lease terms of three years.

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Finance lease payables . . . . .	–	45,281	33,454	19,145
Less:				
Current portion . . . . .	–	(10,629)	(17,967)	(19,145)
Non-current portion . . . . .	–	34,652	15,487	–

	Minimum lease payments 31 December 2010	Present value of minimum lease payments 31 December 2010	Minimum lease payments 31 December 2011	Present value of minimum lease payments 31 December 2011	Minimum lease payments 31 December 2012	Present value of minimum lease payments 31 December 2012	Minimum lease payments 30 September 2013	Present value of minimum lease payments 30 September 2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts payable:								
Within one year . . . . .	–	–	16,693	11,829	22,183	19,380	20,074	19,145
In the second year . . . . .	–	–	22,183	19,380	14,528	14,074	–	–
In the third year . . . . .	–	–	14,528	14,072	–	–	–	–
Total minimum finance lease payments . . . . .	–	–	53,404	45,281	36,711	33,454	20,074	19,145
Future finance charges . . . . .	–		(8,123)		(3,257)		(929)	
Total net finance lease payables . . . . .	–		45,281		33,454		19,145	
Portion classified as current liabilities . . . . .	–		(10,629)		(17,967)		(19,145)	
Non-current portion . . . . .	–		34,652		15,487		–	

The fair value of Chongqing Caribbean's finance lease payables approximated to nil, RMB45,310,000, RMB33,631,000 and 19,099,000 at 31 December 2010, 2011 and 2012 and 30 September 2013 respectively.

The finance lease payables amounting to nil, RMB45,281,000, RMB33,454,000 and RMB19,146,000 at 31 December 2010, 2011 and 2012 and 30 September 2013 were guaranteed by 大連海昌集團有限公司 ("Haichang Group") and 大連海昌企業發展有限公司 ("Haichang Corporation Development"), companies of which Mr. Qu Nei Jie has beneficial interests as equity holder.

## APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN

### II. NOTES TO THE FINANCIAL INFORMATION (continued)

#### 26. GOVERNMENT GRANTS

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of the year/period . . . . .	20,052	312,739	314,059	305,299
Received during the year . . . . .	301,910	9,104	-	-
Recognised in profit or loss ( <i>note 7</i> ) . . . . .	(9,223)	(7,784)	(8,760)	(6,571)
Carrying amount at end of the year/period . . . . .	<u>312,739</u>	<u>314,059</u>	<u>305,299</u>	<u>298,728</u>
Current . . . . .	7,784	8,761	8,761	8,761
Non-current . . . . .	304,955	305,298	296,538	289,967
	<u>312,739</u>	<u>314,059</u>	<u>305,299</u>	<u>298,728</u>

Government grants have been received for the construction of certain items of property, plant and equipment, properties under development and investment properties. There are no unfulfilled condition or contingencies relating to these grant.

#### 27. PAID UP CAPITAL

As mentioned in "Basis of Presentation" in the notes to the Chongqing Caribbean Financial Information, Chongqing Caribbean has been demerged from Chongqing Polar Property and established as a separate legal entity. The paid up capital of Chongqing Caribbean as at 31 December 2010, 2011 and 2012 and 30 September 2013 was presented as if the demerger had been completed since 1 January 2010. The paid up capital of Chongqing Caribbean was RMB10,000,000 as a result of the demerger. As at the date of the report, the registered capital of Chongqing Caribbean is RMB10,000,000 and has been fully paid up.

#### 28. OPERATING LEASE COMMITMENTS

##### (a) As lessor

Chongqing Caribbean leases its properties under operating lease arrangements, with leases negotiated for terms of five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of each of the Relevant Periods, Chongqing Caribbean had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year . . . . .	667	667	667	667
In the second to fifth years, inclusive.	1,991	1,324	657	111
	<u>2,658</u>	<u>1,991</u>	<u>1,324</u>	<u>778</u>



## APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN

### II. NOTES TO THE FINANCIAL INFORMATION (continued)

#### 28. OPERATING LEASE COMMITMENTS (continued)

##### (b) As lessee

Chongqing Caribbean leases certain of its land and office buildings under operating lease arrangements.

At the end of each of the Relevant Periods, Chongqing Caribbean 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 . . . . .	139	139	139	–
In the second to fifth years, inclusive.	336	197	58	–
	475	336	197	–

#### 29. RELATED PARTY TRANSACTIONS AND BALANCES

The related companies with which Chongqing Caribbean had transactions were as follows:

Name of related party	Relationship with Chongqing Caribbean
Haichang Corporation Development . . . . .	Intermediate holding company
Haichang Group . . . . .	A related company of which is an equity holder of Haichang Corporation Development
Haichang Property Group . . . . .	Immediate holding company
Chongqing Pole Property . . . . .	Fellow subsidiary
大連海昌商業運營管理有限公司 ("Haichang Business Operation Management") . . . . .	Fellow subsidiary

##### (a) Related party transactions

In addition to the transactions detailed elsewhere in the Chongqing Caribbean Financial Information, Chongqing Caribbean 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	RMB'000
<i>Advance to a related company:</i>					
Haichang Group . . . . .	280	–	–	–	–
<i>Advances to fellow subsidiaries:</i>					
Chongqing Pole Property . . . . .	91	520	217	217	–
Haichang Business Operation Management . . . . .	–	–	–	–	79
	91	520	217	217	79
<i>Repayment of an advance to a related company:</i>					
Haichang Group . . . . .	–	–	280	–	–
<i>Repayment of an advance to a fellow subsidiary:</i>					
Chongqing Pole Property . . . . .	–	–	–	–	828
<i>Advance from a fellow subsidiary:</i>					
Chongqing Pole Property . . . . .	–	–	–	–	3,473
	–	–	–	–	3,473

## APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN

### II. NOTES TO THE FINANCIAL INFORMATION (continued)

#### 29. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

##### (a) Related party transactions (continued)

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Advance from the immediate holding company of the Company:</i>					
Haichang Property Group . . . . .	–	–	20	–	–
<i>Repayment of advance from an intermediate holding company:</i>					
Haichang Corporation Development . . . . .	305,891	72,167	1,747	12,978	–
<i>Advance from an intermediate holding company:</i>					
Haichang Corporation Development . . . . .	–	–	–	–	6,693

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

The finance lease payables amounting to RMB nil, RMB45,281,000, RMB33,454,000 and RMB19,145,000 at 31 December 2010, 2011 and 2012 and 30 September 2013 respectively were guaranteed by Haichang Group and Haichang Corporation Development at nil consideration (note 25).

##### (b) Balances with related companies

Chongqing Caribbean 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
Due from the immediate holding company:				
Haichang Property Group . . . . .	10,000	–	–	–
Due from a related company:				
Haichang Group . . . . .	280	280	–	–

**APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN**

**II. NOTES TO THE FINANCIAL INFORMATION (continued)**

**29. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

**(b) Balances with related companies (continued)**

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Due from fellow subsidiaries:				
Haichang Business Operation Management . . . . .	–	–	–	79
Chongqing Pole Property . . . . .	91	611	828	–
	<u>91</u>	<u>611</u>	<u>828</u>	<u>79</u>

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Due to an intermediate holding company:				
Haichang Corporation Development* . . . . .	357,441	285,274	283,527	287,220
Due to the immediate holding company:				
Haichang Property Group . . . . .	–	–	20	20
Due to a fellow subsidiary:				
Chongqing Pole Property . . . . .	–	–	–	3,473
	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,473</u>

\* The balance arose from the fund advanced to finance the construction and operation of Chongqing Caribbean's theme park operation, and property development and holding.

The maximum amounts outstanding during the years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013 pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Due from a related company:				
Haichang Group . . . . .	280	280	–	–
	<u>280</u>	<u>280</u>	<u>–</u>	<u>–</u>

**APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN**

**II. NOTES TO THE FINANCIAL INFORMATION (continued)**

**29. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

**(b) Balances with related companies (continued)**

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 (Unaudited)	RMB'000
Salaries, allowances, bonuses, benefits and other expenses . . . . .	-	-	-	-	-
Post-employment benefit .	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**30. 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 2010**

Financial assets

	<b>Loans and receivables</b>
	<b>RMB'000</b>
Financial assets included in prepayments, deposits and other receivables . . . . .	25
Trade receivables . . . . .	901
Due from the immediate holding company . . . . .	10,000
Due from a related company . . . . .	280
Due from fellow subsidiaries . . . . .	91
Cash and bank balances . . . . .	323
	<u>11,620</u>

Financial liabilities

	<b>Financial liabilities at amortised cost</b>
	<b>RMB'000</b>
Financial liabilities included in other payables and accruals . . . . .	994
Trade payables . . . . .	9,378
Due to an intermediate holding company . . . . .	357,441
	<u>367,813</u>

## APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN

### II. NOTES TO THE FINANCIAL INFORMATION (continued)

#### 30. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

31 December 2011

Financial assets

	<b>Loans and receivables</b>
	<b>RMB'000</b>
Financial assets included in prepayments, deposits and other receivables . . . . .	85
Trade receivables . . . . .	1,048
Due from a related company . . . . .	280
Due from fellow subsidiaries . . . . .	611
Cash and bank balances . . . . .	10,211
	12,235

Financial liabilities

	<b>Financial liabilities at amortised cost</b>
	<b>RMB'000</b>
Financial liabilities included in other payables and accruals . . . . .	2,755
Finance lease payables . . . . .	45,281
Trade payables . . . . .	8,907
Due to an intermediate holding company . . . . .	285,274
	342,217

31 December 2012

Financial assets

	<b>Loans and receivables</b>
	<b>RMB'000</b>
Financial assets included in prepayments, deposits and other receivables . . . . .	163
Trade receivables . . . . .	1,498
Cash and bank balances . . . . .	265
Due from fellow subsidiaries . . . . .	828
	2,754

Financial liabilities

	<b>Financial liabilities at amortised cost</b>
	<b>RMB'000</b>
Financial liabilities included in other payables and accruals . . . . .	5,579
Finance lease payables . . . . .	33,454
Trade payables . . . . .	9,070
Due to the immediate holding company . . . . .	20
Due to an intermediate holding company . . . . .	283,527
	331,650

**APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN**

**II. NOTES TO THE FINANCIAL INFORMATION (continued)**

**30. FINANCIAL INSTRUMENTS BY CATEGORY (continued)**

**30 September 2013**

Financial assets

	<b>Loans and receivables</b>
	<b>RMB'000</b>
Financial assets included in prepayments, deposits and other receivables . . . . .	696
Trade receivables . . . . .	1,437
Cash and bank balances . . . . .	6,228
Due from a fellow subsidiary . . . . .	79
	8,440

Financial liabilities

	<b>Financial liabilities at amortised cost</b>
	<b>RMB'000</b>
Financial liabilities included in other payables and accruals . . . . .	6,562
Finance lease payables . . . . .	19,145
Trade payables . . . . .	6,041
Due to an intermediate holding company . . . . .	287,220
Due to a fellow subsidiary . . . . .	3,473
Due to the immediate holding company . . . . .	20
	322,461

**31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

The carrying amounts and fair values of Chongqing Caribbean's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

**31 December 2011**

Financial liabilities

	<b>Carrying amounts</b>	<b>Fair values</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Finance lease payable . . . . .	45,281	45,310

**31 December 2012**

Financial liabilities

	<b>Carrying amounts</b>	<b>Fair values</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Finance lease payable . . . . .	33,454	33,631

## APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN

### II. NOTES TO THE FINANCIAL INFORMATION (continued)

#### 31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

30 September 2013

Financial liabilities

	<b>Carrying amounts</b>	<b>Fair values</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Financial lease payables . . . . .	19,145	19,099

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from a related company, amount due from/to the immediate holding company, amounts due from/to fellow subsidiaries and amount due to an intermediate holding company approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the finance lease payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. Chongqing Caribbean's own non-performance risk for finance lease payables as at 31 December 2010, 2011 and 2012 and 30 September 2013 was assessed to be insignificant.

Chongqing Caribbean's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors of Chongqing Caribbean. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors of Chongqing Caribbean annual financial reporting.

#### 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

##### **Interest rate risk**

Cash and cash equivalents are the major types of Chongqing Caribbean's financial instruments subject to interest rate risk. Cash and bank balances comprise mainly cash at banks, with fixed interest rates.

##### **Credit risk**

There are no significant concentrations of credit risk within Chongqing Caribbean. The credit risk of Chongqing Caribbean's other financial assets, which comprise cash and bank balances, trade receivables, an amount due from a related company, an amount due from an intermediate holding company, amounts due from fellow subsidiaries, deposits and other receivables, arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

## APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN

### II. NOTES TO THE FINANCIAL INFORMATION (continued)

#### 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

##### Liquidity risk

Chongqing Caribbean's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of Chongqing Caribbean'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						
	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 . . . . .	9,378	–	–	–	–	9,378
Other payables and accruals . . . . .	994	–	–	–	–	994
Due to an intermediate holding company . . . . .	357,441	–	–	–	–	357,441
	367,813	–	–	–	–	367,813
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
Finance lease payables . . . . .	–	–	16,693	36,711	–	53,404
Trade payables . . . . .	8,907	–	–	–	–	8,907
Other payables and accruals . . . . .	2,755	–	–	–	–	2,755
Due to an intermediate holding company . . . . .	285,274	–	–	–	–	285,274
	296,936	–	16,693	36,711	–	350,340
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
Finance lease payables . . . . .	–	5,546	16,637	14,528	–	36,711
Trade payables . . . . .	9,070	–	–	–	–	9,070
Other payables and accruals . . . . .	5,579	–	–	–	–	5,579
Due to the immediate holding company . . . . .	20	–	–	–	–	20
Due to an intermediate holding company . . . . .	283,527	–	–	–	–	283,527
	298,196	5,546	16,637	14,528	–	334,907



## APPENDIX IC ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN

### II. NOTES TO THE FINANCIAL INFORMATION (continued)

#### 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

##### Liquidity risk (continued)

	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
Finance lease payables . . . . .	–	5,303	14,771	–	–	20,074
Trade payables . . . . .	1,369	908	3,764	–	–	6,041
Other payables and accruals . . . . .	6,562	–	–	–	–	6,562
Due to the immediate holding company . . . . .	20	–	–	–	–	20
Due to a fellow subsidiary . . . . .	3,473	–	–	–	–	3,473
Due to an intermediate holding company . . . . .	287,220	–	–	–	–	287,220
	298,644	6,211	18,535	–	–	323,390

##### Capital management

The primary objectives of Chongqing Caribbean's capital management are to safeguard Chongqing Caribbean'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.

Chongqing Caribbean 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, Chongqing Caribbean may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Chongqing Caribbean is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the Relevant Periods.

Chongqing Caribbean monitors capital using a gearing ratio, which is net debt divided by the total equity plus net debt. Net debt includes finance lease payables, an amount due to the immediate holding company, an amount due to a fellow subsidiary, an amount due to an intermediate holding company, trade payables, other payables and accruals less cash and cash equivalents. The gearing ratios as at the end of the reporting periods were as follows:

	31 December			30 September
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Finance lease payables . . . . .	–	45,281	33,454	19,145
Trade payables . . . . .	9,378	8,907	9,070	6,041
Other payables and accruals . . . . .	994	2,755	5,579	6,652
Due to the immediate holding company . . . . .	–	–	20	20
Due to a fellow subsidiary . . . . .	–	–	–	3,473
Due to an intermediate holding company . . . . .	357,441	285,274	283,527	287,220
Less: Cash and cash equivalents . . . . .	(323)	(10,211)	(265)	(6,228)
Net debt . . . . .	367,490	332,006	331,385	316,323
Total equity attributable to owners of the parent . . . . .	61,607	62,843	64,096	78,415
Capital and net debt . . . . .	429,097	394,849	395,481	394,738
Gearing ratio . . . . .	86%	84%	84%	80%

<b>APPENDIX IC      ACCOUNTANTS' REPORT ON CHONGQING CARIBBEAN</b>
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**III.    SUBSEQUENT FINANCIAL STATEMENTS**

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

Yours faithfully,  
**Ernst & Young**

*Certified Public Accountants*  
Hong Kong