

九洲發展有限公司 JIUZHOU DEVELOPMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 908

Annual Report

09

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Corporate Information

BOARD OF DIRECTORS

Chen Yuanhe (*Chairman*)
Gu Zengcai (*Deputy Chairman*)
Huang Xin (*Chief Executive Officer*)
Mo Nenglin
Lan Zhongdang
Ye Yuhong
Li Wenjun
Liang Han[#]
Hui Chiu Chung*
Chu Yu Lin, David*
Albert Ho*

[#] *Non-executive Director*

^{*} *Independent Non-executive Director*

AUDIT COMMITTEE

Albert Ho (*Chairman*)
Hui Chiu Chung
Chu Yu Lin, David
Liang Han

REMUNERATION COMMITTEE

Hui Chiu Chung (*Chairman*)
Chu Yu Lin, David
Albert Ho
Liang Han
Gu Zengcai

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Poon Yu Keung

AUDITORS

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China, Zhuhai Branch
Bank of China, Zhuhai Branch
Everbright Bank of China, Zhuhai Branch
Xiamen International Bank, Zhuhai Branch

LEGAL ADVISORS

Chiu & Partners

PRINCIPAL SHARE REGISTRARS

The Bank of Bermuda Limited
6 Front Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRARS

Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 3709-10
37/F West Tower, Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Chairman's Statement

I hereby present the audited consolidated results of Jiuzhou Development Company Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2009. The consolidated turnover of the Group for the year was approximately HK\$236,829,000 and the net profit attributable to shareholders was approximately HK\$22,169,000, representing a decrease of approximately 10% and an increase of approximately 79% as compared with the previous year. Basic earnings per share for the year were HK1.98 cents. The board of directors (the "Board") of the Company does not recommend the payment of any final dividend.



During the year, the operating environment of the Group remained affected by the aftermath of the global financial turmoil and the economic downturn. These along with other adverse factors such as the widespread of type A H1N1 influenza have caused companies and individuals to reduce their budgets for and numbers of business and leisure travels, bringing different levels of impacts to the tourism and marine passenger transportation businesses of the Group. Nevertheless, the Group has adopted a number of retrenchment policies, implemented structure improvement and proactively reinforced sales expansion for its core business, striving to maintain a healthy operating business and strong financial position for the Group.

Leveraging on the strong financial position and high cash level of the Group, the Board will not idle during a time of slowdown in growth but will actively seek and explore suitable investment opportunities and potential projects, with the objective to further expand the size of the main business, increase the value of its assets, broaden its profit base and maximize the return to shareholders. I, on behalf of the Board, would like to express my sincere gratitude to the independent non-executive directors, Mr. Hui Chiu Chung, Mr. Chu Yu Lin, David and Mr. Albert Ho for their contribution to the Group and the efforts made by all staff over the year.

By Order of the Board

Chen Yuanhe
Chairman

Hong Kong, 23 April 2010

BUSINESS REVIEW

1. Marine passenger transportation and port business

For marine passenger transportation business, the far-reaching negative impact of the financial tsunami together with the spread of type A H1N1 influenza brought negative effects to passenger volume. During the year, the volume of passenger trips between Zhuhai and Hong Kong (including Hong Kong Airport line), and Zhuhai and Shekou operated by Zhuhai High-speed Passenger Ferry Co., Ltd (the "Ferry Company") were approximately 1,630,000 and 459,000 respectively, representing a decrease of approximately 9% and 19% as compared with last year. Despite of the decrease in passenger volume, the share of the volume of ferry passenger trips between Guangdong and Hong Kong as operated by the Ferry Company still maintained at approximately 41%. On the other hand, as the Ferry Company benefited from the falling fuel price and the dismissal of navigation charges (previously imposed by relevant government authorities) beginning in this year, the operating costs were reduced significantly and therefore its operating profits for the year increased more than 5% over last year. In respect of the port business, the operating revenue derived from the ticket agency and from the use of pier facilities business of Zhuhai Jiuzhou Port Passenger Traffic Service Co., Ltd. ("Jiuzhou Port Passenger Traffic Company") recorded a decrease of approximately 12% as compared with last year, which was mainly due to a decrease in the number of passenger trips of the two main ferry lines running between Zhuhai and Hong Kong, and Zhuhai and Shekou by approximately 18% and 16% respectively as compared with last year.



2. Hotel business

During the year, the average occupancy rate of our hotel was approximately 54%, decreased approximately 8% as compared with last year. The income from room and catering services rendered by our resort hotel during the year decreased 10% and 6% respectively as compared with last year. Such decrease was mainly due to the decrease in business receptions and fall in the number of visitors, conference tours, travel tours and individual customers as a result of the spread of the financial crisis. In addition, both the consumption propensity and spending ability of visitors were on a falling trend, resulting in a low related income.

3. The New Yuanming Palace and the Fantasy Water World

During the year, the number of visitors of the New Yuanming Palace was approximately 664,000, representing a decrease of approximately 2% as compared with last year. The Fantasy Water World mainly operates for six months from May to October each year. For the remaining months, it is only opened partially for the operation of the winter event – Happy Castle due to low temperature. During the year, the number of visitors of the Fantasy Water World was approximately 266,000, representing a decrease of approximately 16% as compared with last year.

Management Discussion and Analysis

The decrease of approximately 13% of the total operating revenue from the two attractions as compared with last year was due to a substantial reduction on the average ticket price (especially the price of night tickets) as a promotion initiative and an increase of special discounted tickets by the management.

4. Others

During the year, the stock markets in both Mainland China and Hong Kong showed a rebounding trend from the end of the previous year, resulting in a gain on disposal and net fair value gains on securities measured at fair value through profit or loss amounting to approximately HK\$10,861,000 during the year, whereas a gain on disposal less net fair value losses on securities measured at fair value through profit or loss amounting to approximately HK\$7,066,000 was recorded last year. On the other hand, as the exchange rate between Renminbi (“RMB”) and Hong Kong dollars remained steady during the year, no significant exchange gain was resulted during the year, while an exchange gain of approximately HK\$14,206,000 was recorded last year due to the appreciation of RMB against Hong Kong dollars.

In addition, the Company made a provision for impairment of approximately HK\$23,906,000 for an available-for-sale investment of a listed equity investment last year, while no impairment provision was made this year as the price of the available-for-sale investment had gradually picked up during the year.

PROSPECTS

Despite signs of global economic recovery, the foundation remains unstable as we remain under the shadow of the financial crisis. It is expected that the tourism and marine passenger transportation business

of the Group will still face challenges. The Group will strive to enhance its operating efficiency, reinforce cost control, integrate internal resources and explore new businesses or projects to cope with the challenges of the current operating environment.

On 27 August 2008, the Company entered into a letter of intent (as amended and supplemented by a supplementary letter of intent which was issued on 10 September 2008) (the “Letter of Intent”) with (the “Possible Vendor”) in relation to the possible acquisition of 80% of the total issued share capital in a Hong Kong company (the “Target Company”). The Letter of Intent took effect on 10 September 2008.

The Target Company owns a wholly foreign-owned enterprise established in the People’s Republic of China (the “PRC”). The enterprise is primarily engaged in the operation and management of a golf club, a gun club, a hunting area, a hotel and a sport training center in Zhuhai.

Pursuant to the Letter of Intent, a Hong Kong dollar equivalent amount totalling RMB26 million was paid by the Company to the Possible Vendor as earnest money in respect of the Company’s proposed acquisition of the Target Company. The Possible Vendor has agreed to grant an exclusive right of negotiation to the Company from the date of the Letter of Intent to its expiry. The payment of earnest money was secured by, among others, certain pledge given by the Possible Vendor over certain shares of the Target Company (“Share Charge”, please refer to the announcement of the Company dated 10 September 2008 for details).

Since the Company could not reach a mutually satisfied agreement with the Possible Vendor on the terms of the proposed acquisition after undertaken detailed due diligence review on the Target Company, the Company has decided not to proceed with the proposed acquisition and the Letter of Intent was terminated accordingly. However, the Possible Vendor has refused to refund the earnest money to the Company and unilaterally purported to revoke and cancel the Share Charge.



Management Discussion and Analysis

On 20 July 2009, the Company appointed Mr. Cosimo Borrelli and Mr. Michael Chan of Borrelli Walsh Limited as Joint and Several Receivers (“Receivers”) under the Share Charge to the 80% charged shares in the capital of the Target Company pursuant to its terms.

The Company received a generally endorsed writ of summons (“Writ”) issued by and a full statement of claim and a revised statement of claim (collectively as “Claims”) filed by the Possible Vendor on 23 July 2009, 3 September 2009 and 11 November 2009, respectively. Under the Writ/Claims, the Possible Vendor claimed against the Company, among other things: (i) damages for breach of the confidentiality undertaking (signed between the Company and the Possible Vendor before the entering of the Letter of Intent) and/or the Letter of Intent; (ii) damages for the wrongful enforcement of the Share Charge; (iii) an order that there be a set-off of the claim for damages by the Possible Vendor against the earnest money; and (vi) a declaration that the Possible Vendor is entitled to forfeit the earnest money.

In the opinion of the Directors, based on the legal advice obtained from the Company’s legal advisers, the Possible Vendor does not have sufficient grounds to his alleged claims, and any resulting liabilities, if any, would not have any material adverse impact on the Group’s financial position. The Directors also considered that the Company has valid grounds to defend and counter claim against the Possible Vendor for, among other things, the refund of the earnest money. Therefore, no provision in respect of the Claims was made for the year.

The Company will contest the proceedings and will make further announcement and disclosure on the material progress of the litigation contemplated herein as and when appropriate.

On 29 December 2006, the Group entered into a conditional sale and purchase agreement (“Land Agreement”) with Zhuhai Guoyuan Investment Company Limited (“Zhuhai Guoyuan”) for the acquisition of several parcels of land leased to the Group where certain building structures of the Hotel Business

were erected (“Hotel Land”) for an aggregate cash consideration of RMB90,900,000 (equivalent to approximately HK\$103,200,000). A refundable deposit of RMB78,000,000 (equivalent to approximately HK\$88,400,000) was paid to Zhuhai Guoyuan by the Group.

Pursuant to the Land Agreement, the acquisition of the Hotel Land is conditional upon the completion of a debt restructuring agreement as detailed in the following paragraph. The debt restructuring agreement as detailed in the following paragraph was completed on 25 September 2009. During the year ended 31 December 2009, the remaining portion of RMB12,900,000 (equivalent to approximately HK\$14,800,000) was paid to Zhuhai Guoyuan and the entire consideration for the Hotel Land has been fully settled. The Group is proceeding with the transfer and transfer registration procedures for that land, and on the date of issuance of these financial statements, the relevant procedures are still in progress.

As disclosed in the 2008 annual report of the Company and pursuant to the announcement dated 30 April 2008, on 5 August 2006, (1) a debt restructuring agreement was entered into between, among other parties, Zhu Kuan Group Company Limited (“Zhu Kuan Macau”), Zhu Kuan (Hong Kong) Company Limited (“Zhu Kuan HK”), the liquidators and Zhuhai Guoyuan (“Debt Restructuring Agreement”); and (2) a settlement agreement was entered into between, among other parties, Zhu Kuan Macau, Pioneer Investment Ventures Limited (“PIV”), Longway Services Group Limited (“Longway”) and the liquidators (“Settlement Agreement”). The Debt Restructuring Agreement shall be completed within 18 months from the date of the execution of the agreement (i.e. shall be completed on or before 16 April 2008), while the Settlement Agreement was conditional on the completion of the Debt Restructuring Agreement.

As noted in the 2008 and 2009 interim reports and 2008 annual report of the Company and the announcement dated 30 April 2008 made by the Company, the parties to the Debt Restructuring Agreement had agreed in

Management Discussion and Analysis

several times to extend the longstop dates of the Debt Restructuring Agreement from 16 April 2008 to 25 September 2009 due to additional time was required to fulfill the condition precedents of the Debt Restructuring Agreement.

As acknowledged by the Company, on 25 September 2009, all conditions precedent set out in the Debt Restructuring Agreement were satisfied and the whole debt restructuring process of Zhu Kuan Macau and Zhu Kuan HK was completed.

Though the status of both Zhu Kuan Macau and Zhu Kuan HK has been restored, PIV is still in provisional liquidation, and Longway's action to perfect the share charge over 337 million shares in the Company attributable to PIV has not been withdrawn. However, the directors of the Company believe, due to the permanent stay on the proceedings of liquidations on Zhu Kuan HK and Zhu Kuan Macau, there will be no significant restriction for PIV to be released from the provisional liquidation as no further duties should be acted by its provisional liquidators in this winding-up petition.

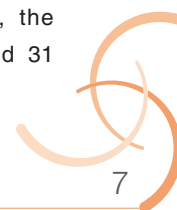
On 15 April 2010, Zhu Kuan Macau, Zhuhai Jiuzhou Tourism Group and Longway entered into a framework agreement ("Framework Agreement"). The Framework Agreement is preliminary in nature, and the transactions as contemplated by the Framework Agreement are subject to a formal agreement being signed, and the formal agreement (if signed) will set out terms and conditions which will be legally binding on the parties. Under such Framework Agreement, Zhu Kuan Macau recorded its intent to procure PIV to sell to Longway the PIV Charged Shares at a consideration equivalent to the total amount of debts owed by Zhu Kuan Macau to Zhuhai Jiuzhou Tourism Group pursuant to previous loan and related security documents made between the parties. The parties to the Framework Agreement will further proceed to procure satisfaction of certain conditions precedent as laid down in the Framework Agreement with their best efforts. Upon the fulfillment of all such conditions precedent, the parties will enter into a formal sale and purchase cum settlement agreement

in relation to the transfer of 337 million shares in the Company held by PIV to Longway.

Since the Debt Restructuring Agreement is completed and significant step has been taken for completing the Settlement Agreement, and the entering into the Framework Agreement amongst Zhu Kuan Macau, Zhuhai Jiuzhou Tourism Group and Longway, the directors of the Company are in the opinion that the uncertainty arose from the winding-up petitions/orders and/or any potential changes in the registered holders of the PIV Charged Shares were released and it is appropriate to prepare these financial statements on a going concern basis.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers in the PRC. As at 31 December 2009, the Group has no outstanding banking borrowings (31 December 2008: Nil). The Group's cash and bank balances and short term bank deposits as at 31 December 2009 amounted to approximately HK\$269.3 million (31 December 2008: HK\$477.2 million), of which approximately HK\$254.2 million (31 December 2008: HK\$450.6 million) were denominated in RMB and the remaining were all in Hong Kong dollars. In addition, the Group held short term investments in financial instruments of approximately HK\$186.3 million as at 31 December 2009 (31 December 2008: HK\$3.7 million), of which approximately HK\$176.5 million (31 December 2008: HK\$0.2 million) were denominated in RMB. The short term financial instruments comprised mainly investment in certain short term investment funds in the PRC and some listed securities in Hong Kong with a view to enhance the Group's return on the surplus working capital. Since the Group has no outstanding banking borrowings as at 31 December 2009 and 31 December 2008 respectively, and based on the total bank borrowings in relation to shareholders' fund, the Group's gearing ratio as at 31 December 2009 and 31 December 2008 respectively was zero.



Management Discussion and Analysis

NUMBER AND REMUNERATION OF EMPLOYEES

At the year end, the Group had approximately 1,518 employees. Remuneration of employees is determined and reviewed annually with reference to the market standard, individual performance and working experience, and certain staff is entitled to commission and share options. In addition to the basic salaries, the Group also provides, depending on the results of the Group and individual performance, staff benefits including discretionary bonus, contributory provident fund or mandatory provident fund, and professional tuition/training subsidies in order to retain quality employees.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group had no significant contingent liabilities.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2009, the Group had no future plans for material investments or capital assets, saved for those disclosed under the heading “Management Discussion and Analysis — Prospects”.

FOREIGN EXCHANGE EXPOSURE

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

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

CAPITAL STRUCTURE

As at 31 December 2009, the number of issued ordinary shares was 1,118,600,000 shares in aggregate and the shareholders' equity of the Group was approximately HK\$1,296 million.

MATERIAL INVESTMENTS HELD, SIGNIFICANT ACQUISITIONS AND DISPOSALS

During the year, there was no material acquisition or disposal of investment, subsidiary or associated company, saved for those disclosed under the heading “Management Discussion and Analysis — Prospects”.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chen Yuanhe, aged 44, has been appointed as the Chairman of the Board of the Company in July 2009. He holds a master degree and is currently also the chairman and general manager of Zhuhai Jiuzhou Tourism Group Company Limited ("ZJTGL") (formerly named Zhuhai Jiuzhou Port Group Corporation), a substantial shareholder of the Company. He obtained Master of Business Administration degree from the Hong Kong Polytechnic University and is a Chinese Certified Public Accountant. Mr. Chen was an executive director of the Company from September 2002 to October 2005 and was the director and deputy chairman of Gree Electric Appliances, Inc., a company whose shares are listed on the Shenzhen Stock Exchange from April 2004 to October 2006. Mr. Chen had worked in Jiangsu Dafeng Taxation Bureau, Jiangsu Yancheng Economic Development Corporation, Zhuhai Discipline Inspection Commission & Supervision Bureau, Zhuhai State-owned Assets Administration Bureau, Zhu Kuan Group Company Limited, Yueqiao Industry Co., Ltd., ZJTGL, Zhu Kuan Development Company Limited, Zhuhai Gree Group Corporation, Zhuhai Gree Electric Appliances, Inc., Zhuhai Airlines Company Limited, Zhuhai State-owned Assets Supervision and Administration Commission as finance manager, deputy division head, financial controller of Zhu Kuan Group Company Limited, chairman of Yueqiao Industry Co., Ltd., deputy chairman of ZJTGL, director and president of Zhuhai Gree Group Corporation, deputy chairman of Zhuhai Airlines Company Limited and deputy director of Zhuhai State-owned Assets Supervision and Administration Commission. Mr. Chen has over twenty years' experience in administrative management, economic management, finance management and audit supervision.



Mr. Gu Zengcai, aged 47, is the deputy chairman of the Board and member of Remuneration Committee of the Company. Mr. Gu is also currently the director and deputy general manager of ZJTGL. He has worked in the Printing and Dyeing Mill of Yanchen, Jiangsu, Zhuhai Fuhua Group Company Limited, Huayin City Credit Union and Zhuhai City Commercial Bank as financial division head and office director of audit department. He has also been the Deputy General Office Director of Huayin City Credit Union. He had worked for Zhuhai City Commercial Bank in the capacities of president of the branch, assistant to the president of the main office, general manager of the Capital Planning Department of the main office and of the financial accounting department, the Officer Director of the policy research centre, the general manager of the credit department and had been the chief accountant of ZJTGL. He joined the Company and was appointed as an executive director of the Company in October 2003. On 24 August 2006, he was appointed as the deputy chairman of the Board of the Company. Mr. Gu is qualified as a Registered Accountant, Accountant and Auditor in the PRC. He has over twenty years' experience in financial management, auditing, enterprise management and finance.



Directors and Senior Management

EXECUTIVE DIRECTORS

(continued)

Mr. Huang Xin, aged 44, has been appointed as an executive director and chief executive officer of the Company in July 2006. Mr Huang is also currently the deputy general manager of ZJTGL. He holds a doctorate degree and obtained a title of senior economist from the Ministry of Finance of the PRC and was invited as visiting professor and researcher of a number of universities. Mr. Huang previously worked with Ministry of Finance, China Trust and Investment Corporation for Economic Development, China Cinda Asset Management Corporation and Beijing Enterprises Holdings Limited. He served as secretary to general manager, secretary to the board of directors, general manager of securities business department, deputy general manager of Beijing Enterprises Holdings High-tech Development Co. Ltd., executive director and general manager of Winghap (Macau) Company Limited, executive director and general manager of East Sea International (Macau) Company Limited, deputy chairman and general manager of Zhuhai Heng Fok Machinery & Electric Industrial Company Limited. He has over twenty years of experience in trust, insurance, securities, investment banking, financial management, corporate management and venture investment.

Mr. Lan Zhongdang, aged 59, has been appointed as an executive director of the Company in July 2009. He is currently also the vice chairman of the Supervisory Board of ZJTGL. Mr. Lan has served the Chinese People's Liberation Army as cadet at deputy company commander level, naval vessel captain at deputy company commander level, chief of staff at company commander and deputy battalion commander levels, deputy chief of staff at battalion commander level, chief of staff at deputy regiment commander level, deputy commander at deputy regiment commander level and first class naval vessel captain. He has also worked in Zhuhai Jiuzhou Port Passenger Transport Station, Zhuhai Jiuzhou Port Passenger Traffic Service Co., Ltd. as manager of Zhuhai Jiuzhou Port Passenger Transport Station, managing

director, vice chairman-general manager and chairman-general manager of Zhuhai Jiuzhou Port Passenger Traffic Service Co., Ltd., and director of ZJTGL. Mr Lan studied port management at Singapore Port Institute and received his Master of Business Administration degree from International Management Science & Technology University (USA) in May 2002. Mr. Lan has over 40 years' extensive experience in shipping management, port management, passenger transport management, tourism management, business administration and corporate administration.

Mr. Mo Nenglin, aged 60, has been appointed as an executive director of the Company in July 2009. Mr. Mo has served the navy ship force of the Chinese People's Liberation Army as vessel captain at company commander level, squadron leader at battalion commander level, commander at regiment and first class naval vessel captain. Since October 1992, he has been the deputy general manager, executive deputy general manager and director of ZJTGL. Mr. Mo has long been engaged in port transportation management. He studied port management in Singapore Port Institute and was engaged as advisor on Economic Development in Western China by Expert Service Centre of the Ministry of Personnel. He has over 40 years' extensive experience in maritime transport, port management, ship management and corporate administration.

Directors and Senior Management

EXECUTIVE DIRECTORS

(continued)

Mr. Ye Yuhong, aged 45, has been appointed as an executive director of the Company in July 2009. He was a postgraduate, and is currently also the deputy secretary of CPC Committee and secretary of Discipline Inspection Commission of ZJTGL. Mr. Ye has worked in the State Key Laboratory of Laser Technology of Huazhong University of Science and Technology, the Organization Department of CPC Zhuhai Committee and the Zhuhai Municipal Hong Kong-Macau Enterprise Office as secretary, deputy division head and leader of Macau work group. Since October 2002, he has worked as the assistant general manager, deputy secretary and secretary of Discipline Inspection Commission and deputy secretary of CPC Committee of ZJTGL. Mr. Ye was a postgraduate of Huazhong University of Science and Technology and has over 20 years' experience in Hong Kong and Macau affairs, administrative management and human resource management.

Mr. Li Wenjun, aged 44, has been appointed as executive director of the Company in July 2009. He was a postgraduate and is currently also the deputy general manager of ZJTGL. Mr. Li has worked for China Ship Industrial Material South China Co., Zhuhai Commission for Economic Restructuring, Zhuhai Economic and Trade Bureau, Zhuhai State-owned Assets Operation and Administration Bureau, Zhuhai State-owned Assets Supervision and Administration Commission and Zhuhai Xinhe Transportation Group Co., Ltd. as secretary to general manager, deputy division head, division head, deputy chief economist, director and deputy general manager. He was a postgraduate in Logistics Management of Huazhong University of Science and Technology and has over 20 years' experience in administrative management, economic management and financial securities.

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liang Han, aged 77, is a non-executive director and a member of the Audit Committee and the Remuneration Committee of the Company. Mr. Liang has worked in the County of Nan Hai's Supplies Commune, Materials Bureau, Commerce Bureau, Planning Committee and the County Government. He was the Deputy General Manager of Hong Kong Economic and Trade International (Group) Co., Ltd., during 1988-1991. During 1991-1993, he was the Deputy General Manager of Zhuhai International Company Limited, the General Manager of China Point Finance Ltd. and China Point Bullion Ltd., Deputy Chairman of Hong Kong Ling Ding Ocean Traffic Investment Limited. He has also been the Deputy Chairman of Zhu Kuan (Hong Kong) Company Limited since 1992 but retired from his office in July 1999. Mr. Liang has extensive experience in administrative management, enterprise management and investment management.

Directors and Senior Management

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON- EXECUTIVE DIRECTORS

(continued)

Mr. Hui Chiu Chung J.P., aged 62, joined the Company as an independent non-executive director in April 1998. He is also the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Hui is currently the chief executive officer of OSK Asia Holdings Limited. He has 39 years of experience in the securities and investment industry. Mr. Hui had for years been serving as council member and vice chairman of The Stock Exchange of Hong Kong, member of the Advisory Committee of the Hong Kong Securities and Futures Commission, an appointed member of the Securities and Futures Appeals Tribunal and was also a director of the Hong Kong Securities Clearing Company Limited. Mr. Hui was appointed by the Government of the Hong Kong Special Administrative Region (the "HKSAR") a Justice of the Peace in 2004 and was also appointed a member of the Zhuhai Municipal Committee of the Chinese People's Political Consultative Conference in 2006. He is at present a member of the Listing Committee of the Hong Kong Exchange & Clearing Company Limited, and a member of the Committee on Real Estate Investment Trusts of the Hong Kong Securities and Futures Commission. Mr. Hui is also a member of the Standing Committee on Company Law Reform, an appointed member of the Hong Kong Institute of Certified Public Accountants Investigation Panel A. Mr. Hui also serves as independent non-executive director of Luk Fook Holdings (International) Limited (Stock Code: 590), Lifestyle International Holdings Limited (Stock Code: 1212), Chun Wo Development Holdings Limited (Stock Code: 711) and Frasers Property (China) Limited (Stock Code: 535) whose shares are listed on The Stock Exchange of Hong Kong Limited.

Mr. Chu Yu Lin, David, SBS, J.P., aged 66, joined the Company as an independent non-executive director in April 1998. He is also a member of the Audit Committee and the Remuneration Committee of the Company. Mr. Chu received his Master of Business Administration degree from Harvard University after degrees in electrical engineering and management at Northeastern University and was awarded an honorary Doctor of Public Service degree from Northeastern University. Prior to joining the Group, he had worked in a number of sizeable international corporations such as General Electric Co., Chi Wo Properties Limited and Gammon Properties Limited, Gammon (Hong Kong) Limited and Jardine Matheson & Company Limited. Mr. Chu is a Justice of the Peace of the HKSAR. He is also an independent non-executive director of Chuang's China Investments Limited (Stock Code: 298) and AVIC International Holding (HK) Limited (formerly known as "CATIC International Holdings Limited") (Stock Code: 232) whose shares are listed on The Stock Exchange of Hong Kong Limited.

Mr. Albert Ho, aged 52, was appointed as an independent non-executive director of the Company in September 2004. He is also the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Ho graduated from the Macquarie University, Sydney, Australia with a Bachelor of Economics degree in 1985 and obtained his Master of Business Administration degree from the University of Hong Kong in 1991. He is a Certified Public Accountant and fellow member of the Association of Chartered Certified Accountants. He has extensive experience in financial and corporate management. Mr. Albert Ho is also an independent non-executive director of SHK Hong Kong Industries Limited (formerly known as "Yu Ming Investments Limited") (Stock Code: 666), a listed company in Hong Kong.

Directors and Senior Management

SENIOR MANAGEMENT

Ms. Fan Ning, aged 41, is the vice president of the Company. She holds a master degree and has worked as an economist. Ms. Fan obtained her Master of Business Administration degree from the Opening University of Hong Kong. Ms. Fan had worked in the Zhuhai branch of Industrial and Commercial Bank of China and ZJTGL in the capacities of department head, deputy manager and manager of International Business Department, Operation Department and Development and Planning Department, and was involved in the fields of international settlements, credit business, project development, and sales and marketing. Ms. Fan joined the Company in April 2006 and has over ten years' experience in finance investment, project development and corporate management.

Mr. Lu Tong, aged 42, is the vice president of the Company. He holds a master degree. Mr. Lu had worked in many enterprises under the Zhu Kuan Group in the capacities of assistant manager, deputy manager and manager, and was involved in various fields including company legal affairs, project finance and investment management etc.. He joined the Company in May 1998. Mr. Lu received his Bachelor of Laws degree from Shenzhen University and is a qualified lawyer in the PRC. He was a postgraduate in Finance in the University of International Business and Economics and received his Master of Business Administration degree from the Royal Roads University subsequently. He has over ten years' experience in company law, finance investment, project finance and corporate management.

Tang Jin, aged 36, is the assistant vice president of the Company. He holds a master degree. Mr. Tang had worked in Zhu Kuan Investment Development Company, Zhu Kuan Materials Development Investment Company, Zhu Kuan Foreign Economic Development Company, and Zhu Kuan (Hong Kong) Company Limited. He joined the Company in 1998. He was involved in the fields of international trading, project management, finance investment, administrative management and served as manager assistant, deputy manager and manager. Mr. Tang obtained his Master of Business Administration degree from Royal Roads University and has over 10 years' experience in corporate project management, securities investment and administrative management.

Mr. Poon Yu Keung, aged 45, is the financial controller and company secretary of the Company. He holds a master degree. Mr. Poon had worked in Zhu Kuan (Hong Kong) Company Limited as financial controller. Prior to joining Zhu Kuan (Hong Kong) Company Limited, he had worked in an international public accounting firm and had assumed the accounting and financial management positions in a number of China affiliated and multinational companies. He joined the Company as financial controller and company secretary in April 1998. Mr. Poon graduated from The Hong Kong Polytechnic with a professional diploma in accountancy and obtained his Executive MBA degree from The Chinese University of Hong Kong in 2004. He is a fellow member of the Association of Chartered Certified Accountants in England and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Poon has nearly twenty years' experience in auditing, accounting and finance.

Save as disclosed above, the directors or senior management of the Company do not have any relationships with any other director or senior management.



Report of the Directors

The directors of the Company present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group consist of investment holding, the management of a holiday resort, a theme park and an amusement park, and the provision of port facilities and ticketing services in Zhuhai, the People's Republic of China excluding Hong Kong and Macau (the "PRC"). The principal activities of the principal subsidiaries are set out in note 17 to the financial statements.

There were no significant changes in the nature of the Company's and of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2009 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 37 to 117.

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2009.

SUMMARY FINANCIAL INFORMATION

A summary of the results and assets, liabilities and minority interests of the Group for the year ended 30 April 2006, the eight months ended 31 December 2006 and the years ended 31 December 2007, 2008 and 2009, as extracted from the published audited financial statements is set out on page 118. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and of the Group during the year are set out in note 12 to the financial statements.

RIGHTS TO USE PORT FACILITIES

Details of movements in the rights to use port facilities of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

There were no movements in either the Company's authorised or issued share capital during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the Bermuda Companies Act 1981 which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 32(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2009, the Company's reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981, amounted to HK\$3,638,000. In addition, the Company's contributed surplus, amounting to HK\$628,440,000 as at 31 December 2009, is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the net realisable value of its assets would thereby be less than the aggregate of its liabilities and its share capital and share premium account. The Company's share premium account with a balance of HK\$459,870,000 as at 31 December 2009 is distributable in the form of fully-paid bonus shares.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentages of sales and purchases attributable to the Group's major customers and suppliers were as follows:

- (i) The aggregate amount of revenue generated from the Group's five largest customers accounted for less than 30% of the Group's total revenue for the year; and
- (ii) The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers during the year.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Chen Yuanhe (<i>Chairman</i>)	(appointed on 22 July 2009)
Mr. Gu Zengcai (<i>Deputy Chairman</i>)	
Mr. Huang Xin (<i>Chief Executive Officer</i>)	
Mr. Mo Nenglin	(appointed on 22 July 2009)
Mr. Lan Zhongdang	(appointed on 22 July 2009)
Mr. Ye Yuhong	(appointed on 22 July 2009)
Mr. Li Wenjun	(appointed on 22 July 2009)
Mr. Zhu Lifu (<i>Chairman</i>)	(resigned on 22 July 2009)
Mr. Jin Tao	(resigned on 22 July 2009)
Mr. Wu Hanqiu	(resigned on 3 June 2009)

Non-executive directors:

Mr. Liang Han
Mr. Hui Chiu Chung*
Mr. Chu Yu Lin, David*
Mr. Albert Ho*

* Independent non-executive directors

DIRECTORS *(Continued)*

The directors of the Company, including the executive directors, a non-executive director and independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provisions of the Company's bye-laws.

In accordance with bye-law 111(A) of the Company's bye-laws, Mr. Gu Zengcai and Mr. Albert Ho, directors of the Company, shall retire at the forthcoming annual general meeting. In addition, Mr. Chen Yuanhe, Mr. Mo Nenglin, Mr. Lan Zhongdang, Mr. Ye Yuhong and Mr. Li Wenjun who have been appointed by the Board of the Company on 22 July 2009, shall hold office until the forthcoming annual general meeting pursuant to bye-law 115 of the Company's bye-laws. All the above retiring directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting pursuant to bye-law 111(A) of the Company's bye-laws.

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers that all the independent non-executive directors are independent.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to the directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Report of the Directors

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2009, the interests and short positions of the directors of the Company in shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), that was required to be recorded by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of HK\$0.10 each of the Company:

Name of directors	Number of shares directly and beneficially owned
Mr. Gu Zengcai	1,000,000
Mr. Ye Yuhong	460,000
Mr. Hui Chiu Chung	500,000
Mr. Chu Yu Lin, David	2,700,000
Mr. Albert Ho	250,000
	<hr/>
	4,910,000

Save as disclosed above, as at 31 December 2009, none of the directors of the Company had registered any interests and short positions in the shares and underlying shares of the Company or any of its associated corporations that were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2009, the following interests of 5% or more of the issued ordinary shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	Number of ordinary shares directly and beneficially held	Percentage of the Company's issued ordinary shares
Zhuhai Jiuzhou Tourism Group Co., Ltd. (formerly known as "Zhuhai Jiuzhou Port Group Corporation")	235,200,000	21.0%
Pioneer Investment Ventures Limited*	337,000,000	30.1%

* In accordance with Part XV of the SFO, Zhu Kuan Group Company Limited (formerly in liquidation but the liquidation proceedings in respect of which were permanently stayed in late 2009) and Zhu Kuan Company of the Zhuhai SEZ were deemed to be interested in the 337,000,000 shares of the Company held by Pioneer Investment Ventures Limited because:

- Zhu Kuan Group Company Limited is the immediate holding company of Pioneer Investment Ventures Limited; and
- Zhu Kuan Company of the Zhuhai SEZ is the immediate holding company of Zhu Kuan Group Company Limited.

The 337 million shares (representing approximately 30.1% issued ordinary shares in the Company) held by Pioneer Investment Ventures Limited have been charged in favour of Longway Services Group Limited, a wholly-owned subsidiary of Zhuhai Jiuzhou Tourism Group Co., Ltd. (see also note 2.1 to the financial statements for further details).

Save as disclosed above, as at 31 December 2009, no person, other than the directors of the Company whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company as recorded pursuant to Section 336 of the SFO.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group entered into certain continuing connected transactions as defined under the Listing Rules, as detailed in note 37(a) and (b) to the financial statements. In the opinion of the Board of the Company, including the independent non-executive directors, these connected transactions were:

- (a) conducted in the ordinary and usual course of business of the Group;
- (b) conducted on normal commercial terms and on an arm's length basis;
- (c) conducted on terms no less favourable than those available to/from independent third parties; and
- (d) conducted in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interest of the shareholders of the Group as a whole.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chen Yuanhe

Chairman

Hong Kong

23 April 2010



Corporate Governance Report

The board of directors (the “Board”) of the Company is pleased to present this Corporate Governance Report in the Group’s annual report for the year ended 31 December 2009.

The manner in which the principles and code provisions in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) are applied and implemented are explained as follows:

CORPORATE GOVERNANCE PRACTICES

The Group strives to attain and maintain high standards of corporate governance to enhance shareholder value and safeguard shareholder interests. The Group’s corporate governance principles emphasize a quality Board, effective internal controls and accountability to shareholders.

The Company recognizes the importance of high standards of corporate governance to sustain healthy growth and has taken a proactive approach in strengthening corporate governance practices in accordance with the needs of its business.

The Company has applied the principles as set out in the CG Code contained in Appendix 14 of the Listing Rules.

The CG Code contained in Appendix 14 of the Listing Rules sets out the principles of good corporate governance and two levels of corporate governance practices, as follows:

- (a) code provisions, which listed issuers are expected to comply with or to give considered reasons for any deviation; and
- (b) recommended best practices for guidance only, which listed issuers are encouraged to comply with or to give considered reasons for deviation.

The Company’s corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the CG Code.

Throughout the year under review, the Company has complied with the code provisions in the CG Code in all other respects, apart from the fact that (1) only three regular board meetings were held within the first three quarters of 2009 since the Company does not announce its quarterly results and the Board also had held regular board meetings during 2009; and (2) the Company’s non-executive directors, have no fixed term of office but are subject to retirement in accordance with the Company’s Bye-laws.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES *(Continued)*

The Company has also put in place certain recommended best practices as set out in the CG Code.

The Company will review periodically and improve its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

BOARD OF DIRECTORS

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance.

The overall management of Company's business is vested in the Board, which assumes responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All directors should take decisions objectively in the interests of the Company. The senior management was delegated the authority and responsibility by the Board for the day-to-day management and operation of the Group. In addition, the Board has also established Board committees and has delegated to these Board committees various responsibilities as set out in their terms of reference respectively.

Every director shall ensure that he carries out his duty in good faith and in compliance with the standards of applicable laws and regulations, and acts in the interests of the Company and its shareholders at all times.

Board composition

The Board is currently made up of 11 members in total, with 7 executive directors, 1 non-executive director and 3 independent non-executive directors.

BOARD OF DIRECTORS *(Continued)*

Board composition *(Continued)*

The Board of the Company comprises the following directors:

Executive directors:

Mr. Chen Yuanhe	<i>(Chairman)</i>
Mr. Zhu Lifu	<i>(resigned on 22 July 2009)</i>
Mr. Gu Zengcai	<i>(Deputy Chairman)</i>
Mr. Huang Xin	<i>(Chief Executive Officer)</i>
Mr. Mo Nenglin	
Mr. Lan Zhongdang	
Mr. Ye Yuhong	
Mr. Li Wenjun	
Mr. Jin Tao	<i>(resigned on 22 July 2009)</i>
Mr. Wu Hanqiu	<i>(resigned on 3 June 2009)</i>

Non-executive director:

Mr. Liang Han

Independent non-executive directors:

Mr. Hui Chiu Chung
Mr. Chu Yu Lin, David
Mr. Albert Ho

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The relationships among the members of the Board are disclosed under "Directors and Senior Management" on pages 9 to 13.

During the year ended 31 December 2009, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

Corporate Governance Report

BOARD OF DIRECTORS *(Continued)*

Board composition *(Continued)*

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

All directors, including non-executive director and independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive directors are invited to serve on the Audit and Remuneration Committees of the Company.

Chairman and Chief Executive Officer

The roles and duties of the Chairman and the Chief Executive Officer of the Company are carried out by different individuals and have been clearly defined in writing.

The Chairman of the Board is Mr. Chen Yuanhe, and the Chief Executive Officer is Mr. Huang Xin. The positions of Chairman and Chief Executive Officer are held by separate persons in order to preserve independence and a balanced judgement of views.

With the support of the Company Secretary and the senior management, the Chairman is responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings and that all key and appropriate issues are discussed by the Board in a timely manner. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

Appointment/re-election and removal of directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term and subject to re-election. The Company has deviated from this provision in that the Company's non-executive director is not appointed for a specific term.

BOARD OF DIRECTORS *(Continued)*

Appointment/re-election and removal of directors *(Continued)*

Although the non-executive director is not appointed for a specific term, all directors of the Company are subject to retirement by rotation once every three years and re-election at the annual general meeting and any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment pursuant to the Company's Bye-laws which were amended by a special resolution at the annual general meeting held on 28 October 2005 for the purpose of compliance with the CG Code.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Bye-laws. The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment of directors and assessing the independence of independent non-executive directors.

The Board reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process where necessary.

In addition, Mr. Chen Yuanhe, Mr. Gu Zengcai, Mr. Mo Nenglin, Mr. Lan Zhongdang, Mr. Ye Yuhong, Mr. Li Wenjun and Mr. Albert Ho shall retire by rotation and being eligible, offer themselves for re-election at the next forthcoming annual general meeting.

The Board recommended the re-appointment of the directors standing for re-election at the next forthcoming annual general meeting of the Company.

The Company will issue a circular containing detailed information of the directors standing for re-election.

Training and continuing development of directors

Each newly appointed director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Corporate Governance Report

BOARD OF DIRECTORS *(Continued)*

Training and continuing development of directors *(Continued)*

The directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors will be arranged whenever necessary.

Board meetings

Board practices and conduct of meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to all directors in advance.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management where necessary.

The senior management, Chief Executive Officer and Company Secretary attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and final version is open for directors' inspection.

The Company's Bye-laws contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest. According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

Corporate Governance Report

BOARD OF DIRECTORS *(Continued)*

Board meetings *(Continued)*

Directors' attendance records

During the year ended 31 December 2009, three regular Board meetings were held within the first three quarters of 2009 for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company since the Company does not announce its quarterly results and the Board also had held regular Board meeting during 2009.

The attendance records of each director at the Board meetings during the year ended 31 December 2009 are set out below:

Name of Directors	Attendance/ Number of Meetings
Executive Directors	
Mr. Chen Yuanhe <i>(Chairman)</i>	1/8
Mr. Zhu Lifu <i>(resigned on 22 July 2009)</i>	4/8
Mr. Gu Zengcai <i>(Deputy Chairman)</i>	8/8
Mr. Huang Xin <i>(Chief Executive Officer)</i>	8/8
Mr. Mo Nenglin	1/8
Mr. Lan Zhongdang	1/8
Mr. Ye Yuhong	1/8
Mr. Li Wenjun	1/8
Mr. Jin Tao <i>(resigned on 22 July 2009)</i>	4/8
Mr. Wu Hanqiu <i>(resigned on 3 June 2009)</i>	3/8
Non-executive Director	
Mr. Liang Han	5/8
Independent Non-executive Directors	
Mr. Hui Chiu Chung	6/8
Mr. Chu Yu Lin, David	6/8
Mr. Albert Ho	6/8

Corporate Governance Report

BOARD OF DIRECTORS *(Continued)*

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2009.

The Company has also established written guidelines on no less exacting terms than the Model Code (the “Employees Written Guidelines”) for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the year ended 31 December 2009.

DELEGATION OF MANAGEMENT FUNCTIONS

The Board reserves for its decision on all major matters of the Company, including: the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company’s expense, upon making request to the Board.

The Board has delegated a schedule of responsibilities to the senior management of the Company. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the production and operating plans and budgets, and supervising and monitoring the control systems.

DELEGATION OF MANAGEMENT FUNCTIONS *(Continued)*

The Board has established two committees, namely, the Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the Company's website and are available to shareholders upon request.

The Board also has the full support of the Chief Executive Officer and the senior management to discharge their responsibilities.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration and senior management of the Group. Details of the remuneration of each of the directors of the Company for the year ended 31 December 2009 are set out in note 7 to the financial statements.

Remuneration committee

The Remuneration Committee comprises 5 members, Mr. Hui Chiu Chung (Chairman), Mr. Gu Zengcai, Mr. Liang Han, Mr. Chu Yu Lin, David and Mr. Albert Ho, the majority of them are independent non-executive directors.

The primary objectives of the Remuneration Committee include the following:

- To make recommendations on the establishment of procedures for developing the remuneration policy and structure of the executive directors and the senior management, such policy shall ensure that no director or any of his/her associates will participate in deciding his/her own remuneration;
- To make recommendations on the remuneration packages of the executive directors and the senior management;
- To review and approve the remuneration packages of the executive directors and the senior management by reference to the performance of the individual and the Company as well as market practice and conditions; and
- To review and approve the compensation arrangements for the executive directors and the senior management.

Corporate Governance Report

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Remuneration committee *(Continued)*

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Chairman and/or the Chief Executive Officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the executive directors and the senior management for the year under review.

The Remuneration Committee held two meetings during the year ended 31 December 2009 and the attendance records are set out below:

Name of Directors	Attendance/ Number of Meetings
Independent Non-executive Directors	
Mr. Hui Chiu Chung (<i>Chairman</i>)	2/2
Mr. Chu Yu Lin, David	2/2
Mr. Albert Ho	2/2
Non-executive Director	
Mr. Liang Han	2/2
Executive Director	
Mr. Gu Zengcai	2/2

ACCOUNTABILITY AND AUDIT

Directors' responsibilities for financial reporting

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2009.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT *(Continued)*

Directors' responsibilities for financial reporting *(Continued)*

The directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and that relevant statutory requirements and applicable accounting standards are complied with.

The Board received from the senior management the management accounts, explanation and relevant information which enable the Board to make an informed assessment for approving the financial statements.

Internal controls

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets and with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

AUDIT COMMITTEE

The Audit Committee comprises 4 non-executive directors, namely Mr. Albert Ho (Chairman), Mr. Hui Chiu Chung, Mr. Chu Yu Lin, David and Mr. Liang Han and the majority of them are independent non-executive director (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

Corporate Governance Report

AUDIT COMMITTEE *(Continued)*

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, internal auditor or external auditors before submission to the Board;
- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors;
- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee provides supervision on the internal controls system of the Group and reports to the Board on any material issues and makes recommendations to the Board.

During the year under review, the Audit Committee has reviewed the Group's unaudited interim financial report for the six months ended 30 June 2009, annual results and annual report for the year ended 31 December 2008, the financial reporting and compliance procedures, the report from the management on the Company's internal control and risk management review and process and the re-appointment of the external auditors.

The Audit Committee held two meetings during the year ended 31 December 2009 and the attendance records are set out below:

Name of Directors	Attendance/ Number of Meetings
Independent Non-executive Directors	
Mr. Albert Ho (<i>Chairman</i>)	2/2
Mr. Hui Chiu Chung	2/2
Mr. Chu Yu Lin, David	2/2
Non-executive Director	
Mr. Liang Han	2/2

Corporate Governance Report

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditors' Report" on pages 35 to 36.

During the year under review, the remuneration paid to the Company's auditors, Messrs Ernst & Young, is set out below:

Category of services	Fees paid/ Payable (HK\$)
Audit service	680,000
Non-audit services	
— Interim review	200,000
— Taxation service	17,200
Total	897,200

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding on the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decisions.

The general meetings of the Company provide an important channel for exchange of views between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings.

The Company continues to enhance communication and relationship with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

(Continued)

To promote effective communication, the Company maintains a website at www.0908.hk, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Investors may write directly to the Company at its principle place of business in Hong Kong or via email to 0908hk@0908.hk for any inquiries.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The Company should arrange for the notice to be sent to the shareholders at least 20 clear business days before an annual general meeting and at least 10 clear business days before all other general meeting according to the CG Code.

The Chairman of a shareholders' meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and then answer any questions from shareholders regarding voting by way of a poll.

All resolutions put forward at shareholders' meetings must be taken by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after the shareholders' meetings.





To the shareholders of Jiuzhou Development Company Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Jiuzhou Development Company Limited set out on pages 37 to 117, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditors' Report

AUDITORS' RESPONSIBILITY *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
23 April 2010

Consolidated Income Statement

Year ended 31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000 (note 2.3)
REVENUE	5	236,829	262,611
Cost of sales		(182,271)	(195,461)
Gross profit		54,558	67,150
Other income and gains, net	5	26,010	37,691
Selling and distribution costs		(4,711)	(5,787)
Administrative expenses		(66,017)	(69,613)
Other operating expenses, net		(1,240)	(2,988)
Impairment of an available-for-sale investment		—	(23,906)
Share of profits and losses of a jointly-controlled entity		25,272	23,975
PROFIT BEFORE TAX	6	33,872	26,522
Income tax expense	8	(9,790)	(11,740)
PROFIT FOR THE YEAR		24,082	14,782
Attributable to:			
Ordinary equity holders of the Company	9	22,169	12,374
Minority interests		1,913	2,408
		24,082	14,782
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
Basic		HK1.98 cents	HK1.11 cents
Diluted		N/A	N/A

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	2009 HK\$'000	2008 HK\$'000
PROFIT FOR THE YEAR	24,082	14,782
OTHER COMPREHENSIVE INCOME		
Available-for-sale investments:		
Change in fair value	4,800	—
Transfer of impairment loss to the consolidated income statement	—	12,900
	4,800	12,900
Asset revaluation:		
Surplus/(deficit) on property revaluation	2,823	(9,909)
Deferred tax effect	(706)	2,477
	2,117	(7,432)
Share of other comprehensive income of a jointly-controlled entity:		
Changes in exchange reserve	—	5,737
Exchange differences on translation of foreign operations	—	45,061
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	6,917	56,266
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	30,999	71,048
ATTRIBUTABLE TO:		
Ordinary equity holders of the Company	29,086	67,973
Minority interests	1,913	3,075
	30,999	71,048

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	416,475	424,771
Prepaid land lease payments	13	179,850	187,161
Rights to use port facilities	14	19,696	20,379
Intangible asset	15	6,247	6,247
Interest in a jointly-controlled entity	18	109,587	110,393
Interest in an associate	19	—	—
Available-for-sale investments	20	11,309	6,509
Prepayments and deposits	21(a)	137,660	124,732
Total non-current assets		880,824	880,192
CURRENT ASSETS			
Securities measured at fair value through profit or loss	22	186,347	3,677
Inventories	23	2,920	3,206
Trade receivables	24	23,465	35,622
Prepayments, deposits and other receivables	21(b)	66,436	15,177
Due from a jointly-controlled entity	25	3,245	2,929
Due from related companies	26	14,377	—
Cash and cash equivalents	27	269,279	477,175
Total current assets		566,069	537,786
CURRENT LIABILITIES			
Trade payables	28	19,678	18,192
Accrued liabilities and other payables		81,312	85,091
Construction payables	29	4,593	5,449
Tax payable		11,488	11,788
Due to related companies	26	252	1,206
Total current liabilities		117,323	121,726
NET CURRENT ASSETS		448,746	416,060
TOTAL ASSETS LESS CURRENT LIABILITIES		1,329,570	1,296,252
NON-CURRENT LIABILITIES			
Deferred tax liabilities	30	17,388	15,069
Net assets		1,312,182	1,281,183
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	31	111,860	111,860
Reserves	32(a)	1,184,534	1,155,448
		1,296,394	1,267,308
Minority interests		15,788	13,875
Total equity		1,312,182	1,281,183

Chen Yuanhe
Director

Gu Zengcai
Director



Consolidated Statement of Changes in Equity

Year ended 31 December 2009

Attributable to ordinary equity holders of the Company

	Issued capital	Share premium account*	Contributed surplus*	Goodwill reserve*	Asset revaluation reserve*	Available-for-sale investment revaluation reserve*	Statutory reserve funds*	Exchange fluctuation reserve*	Retained profits*	Total	Minority interests	Total equity
At 1 January 2008	111,860	459,870	446,355	(200,573)	37,784	(12,900)	86,000	98,423	194,888	1,221,707	10,800	1,232,507
Total comprehensive income/(expense) for the year	—	—	—	—	(7,432)	12,900	—	50,131	12,374	67,973	3,075	71,048
Final 2007 dividend declared	—	—	—	—	—	—	—	—	(22,372)	(22,372)	—	(22,372)
Transfer to statutory reserve funds	—	—	—	—	—	—	2,605	—	(2,605)	—	—	—
Share of reserve movement of a jointly-controlled entity	—	—	—	—	—	—	3,534	—	(3,534)	—	—	—
At 31 December 2008 and 1 January 2009	111,860	459,870	446,355	(200,573)	30,352	—	92,139	148,554	178,751	1,267,308	13,875	1,281,183
Total comprehensive income for the year	—	—	—	—	2,117	4,800	—	—	22,169	29,086	1,913	30,999
Transfer to statutory reserve funds	—	—	—	—	—	—	2,047	—	(2,047)	—	—	—
Share of reserve movement of a jointly-controlled entity	—	—	—	—	—	—	5,006	—	(5,006)	—	—	—
At 31 December 2009	111,860	459,870	446,355	(200,573)	32,469	4,800	99,192	148,554	193,867	1,296,394	15,788	1,312,182

* These reserve accounts comprise the consolidated reserves of HK\$1,184,534,000 (2008: HK\$1,155,448,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		33,872	26,522
Adjustments for:			
Share of profits and losses of a jointly-controlled entity		(25,272)	(23,975)
Interest income	5	(3,262)	(2,971)
Dividend income from listed equity investments	5	(131)	(798)
Depreciation	6	29,677	32,770
Amortisation of prepaid land lease payments	6	7,311	7,298
Amortisation of rights to use port facilities	6	683	791
Loss on disposal and write-off of items of property, plant and equipment	6	188	4,414
Net fair value losses/(gains) on securities measured at fair value through profit or loss	5, 6	(6,330)	7,602
Impairment of trade receivables, net	6	476	22
Impairment of an available-for-sale investment	6	—	23,906
		37,212	75,581
Decrease/(increase) in securities measured at fair value through profit or loss		(176,340)	116,745
Decrease/(increase) in inventories		286	(555)
Decrease/(increase) in trade receivables		11,681	(6,792)
Decrease/(increase) in prepayments, deposits and other receivables		(51,259)	4,444
Increase in an amount due from a jointly-controlled entity		(316)	(2,453)
Increase/(decrease) in trade payables		1,486	(1,185)
Increase/(decrease) in accrued liabilities and other payables		(3,779)	8,658
Increase/(decrease) in construction payables		(856)	1,127
Movements in balances with related companies		(15,331)	405
Cash generated from/(used in) operations		(197,216)	195,975
Overseas taxes paid		(8,477)	(10,088)
Dividend received from listed equity investments		131	798
Net cash flows from/(used in) operating activities		(205,562)	186,685

Consolidated Statement of Cash Flows *(Continued)*

Year ended 31 December 2009

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		3,262	2,971
Dividend received from a jointly-controlled entity		26,078	40,058
Purchases of items of property, plant and equipment		(29,632)	(54,333)
Proceeds from disposal of items of property, plant and equipment		10,886	128
Increase in non-current prepayments and deposits		(12,928)	(36,688)
Net cash flows used in investing activities		(2,334)	(47,864)
CASH FLOW FROM A FINANCING ACTIVITY			
Dividend paid		—	(22,372)
Net cash flow used in a financing activity		—	(22,372)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(207,896)	116,449
Cash and cash equivalents at beginning of year		477,175	345,083
Effect of foreign exchange rate changes, net		—	15,643
CASH AND CASH EQUIVALENTS AT END OF YEAR		269,279	477,175
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	269,279	460,169
Time deposits with original maturity within three months when acquired	27	—	17,006
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		269,279	477,175

Statement of Financial Position

31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	495	795
Interests in subsidiaries	17	1,111,397	1,037,010
Available-for-sale investment	20	10,600	5,800
Prepayment and deposit	21(a)	30,000	31,556
Total non-current assets		1,152,492	1,075,161
CURRENT ASSETS			
Securities measured at fair value through profit or loss	22	9,815	3,483
Prepayments, deposits and other receivables	21(b)	1,835	1,965
Cash and cash equivalents	27	52,654	131,220
Total current assets		64,304	136,668
CURRENT LIABILITIES			
Accrued liabilities and other payables		8,188	8,409
NET CURRENT ASSETS		56,116	128,259
Net assets		1,208,608	1,203,420
EQUITY			
Issued capital	31	111,860	111,860
Reserves	32(b)	1,096,748	1,091,560
Total equity		1,208,608	1,203,420

Chen Yuanhe
Director

Gu Zengcai
Director

1. CORPORATE INFORMATION

Jiuzhou Development Company Limited is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at Units 3709-10, 37th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

During the year, the Group was engaged in the following principal activities:

- investment holding
- management of a holiday resort
- management of a theme park
- management of an amusement park
- provision of port facilities and ticketing services

2.1 CORPORATE UPDATE

By an order of the High Court of the Hong Kong Special Administrative Region (the "High Court") dated 14 August 2003, provisional liquidators of Zhu Kuan Group Company Limited ("Zhu Kuan Macau") and Zhu Kuan (Hong Kong) Company Limited ("Zhu Kuan (HK)") were appointed following the filing of winding-up petitions by one of their creditors. Both Zhu Kuan Macau and Zhu Kuan (HK) were the then controlling shareholders of the Company.

337 million shares of the Company are registered in the name of and are directly held by Pioneer Investment Ventures Limited ("PIV"), a wholly-owned subsidiary of Zhu Kuan Macau incorporated in the British Virgin Islands. By an order of the High Court and the Court of the British Virgin Islands, provisional liquidators (the "Provisional Liquidators") of PIV were appointed following the filing of a voluntary winding-up petition by the provisional liquidators of Zhu Kuan Macau on behalf of Zhu Kuan Macau.

During the year ended 30 April 2005, a winding-up order was granted by the Court of First Instance of the Macau Special Administrative Region (the "Macau Court") against Zhu Kuan Macau. In addition, a winding-up order was granted by the High Court against Zhu Kuan (HK). Liquidators (the "Liquidators") have been appointed in respect of the two winding-up orders.

The 337 million shares attributable to PIV (the "PIV Charged Shares") have been pledged to Longway Services Group Limited ("Longway"), a wholly-owned subsidiary of Zhuhai Jiuzhou Tourism Group Co., Ltd. (formerly known as Zhuhai Jiuzhou Port Group Corporation) ("Zhuhai Jiuzhou Tourism Group"), a substantial shareholder of the Company. Zhuhai Jiuzhou Tourism Group is also (a) the minority shareholder of Zhuhai Jiuzhou Port Passenger Traffic Services Co., Ltd. ("Jiuzhou Port Company"), a 90%-owned subsidiary of the Group, and (b) the joint venture partner of Zhuhai High-Speed Passenger Ferry Co., Ltd. ("Ferry Company"), the Group's jointly-controlled entity. Steps have been taken by Longway to perfect the security conferred to it by the share charge. The Provisional Liquidators however consider that due to the petitions, the transfer of the PIV Charged Shares cannot be effected.

2.1 CORPORATE UPDATE *(continued)*

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

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

As mentioned in the Company's announcement made on 7 November 2007, the High Court had granted a permanent stay (i.e. suspension) on the proceedings of liquidations on Zhu Kuan (HK) and Zhu Kuan Macau. On 23 April 2009, the Macau Court has also granted a permanent stay on the proceedings of liquidations on Zhu Kuan (HK) and Zhu Kuan Macau and declared the termination of the duties of the Liquidators.

Further details concerning the above are also set out in the Company's various press announcements during the period from August 2003 to September 2009.

On 25 September 2009, all conditions precedent set out in the Debt Restructuring Agreement were satisfied and the whole debt restructuring process of Zhu Kuan Macau and Zhu Kuan (HK) was completed. Though both Zhu Kuan Macau and Zhu Kuan (HK) have been released from winding-up petitions, PIV is still in provisional liquidation. The directors of the Company believe, due to the permanent stay on the proceedings of liquidations on Zhu Kuan (HK) and Zhu Kuan Macau, there will be no significant restriction for PIV to be released from the provisional liquidation as no further duties should be acted by its provisional liquidators in this winding-up petition.

On 15 April 2010, Zhu Kuan Macau, Zhuhai Jiuzhou Tourism Group and Longway entered into a framework agreement (the "Framework Agreement"). The transactions as contemplated by the Framework Agreement are subject to a formal agreement being signed, and the formal agreement (if signed) will set out terms and conditions which will be legally binding on the parties. Under the Framework Agreement, Zhu Kuan Macau recorded its intent to procure PIV to sell to Longway the PIV Charged Shares at a consideration equivalent to the total amount of debts owed by Zhu Kuan Macau to Zhuhai Jiuzhou Tourism Group pursuant to previous loan and related security documents made between the parties. The parties to the Framework Agreement will further proceed to procure satisfaction of certain conditions precedent as laid down in the Framework Agreement at their best efforts. Upon the fulfilment of all conditions precedent, the parties will enter into a formal sale and purchase cum settlement agreement in relation to the transfer of 337 million of shares in the Company held by PIV to Longway.

2.1 CORPORATE UPDATE *(continued)*

Since the Debt Restructuring Agreement is completed and significant step has been taken for completing the Settlement Agreement, and the entering into the Framework Agreement amongst Zhu Kuan Macau, Zhuhai Jiuzhou Tourism Group and Longway, the directors of the Company are in the opinion that the uncertainty arose from the winding-up petitions/orders and/or any potential changes in the registered holders of the PIV Charged Shares were released and it is appropriate to prepare these financial statements on a going concern basis.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain buildings and certain investments, which have been measured at fair value. The financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand, except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2009. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

Notes to Financial Statements

31 December 2009

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment — Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 <i>Revenue — Determining whether an entity is acting as a principal or as an agent</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement — Embedded Derivatives</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008) **	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary*, which is effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKAS 1 (Revised), HKAS 18 Amendment, HKFRS 7 Amendments and HKFRS 8, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.



2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

(continued)

HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in the income statement, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements. The adoption of the revised standard also results in certain presentational changes in the Group's primary financial statements, including the adoption of the revised title "Statement of financial position" for the "Balance Sheet" and the presentation of the "Statement of changes in equity".

Amendment to Appendix to HKAS 18 Revenue — Determining whether an entity is acting as a principal or as an agent

Guidance has been added to the appendix (which accompanies the standard) to determine whether the Group is acting as a principal or as an agent. The features to consider are whether the Group (i) has the primary responsibility for providing the goods or services, (ii) has inventory risk, (iii) has the discretion to establish prices and (iv) bears credit risk.

As a result of this amendment, the directors are of the opinion that the Group was acting as an agent, instead of as a principal, when organising tours. Accordingly, the Group should present the revenue derived from organising tours, and the related costs on a net basis. The effect of the above changes is summarised below:

	2009 HK\$'000	2008 HK\$'000
Consolidated income statement		
Decrease in revenue	(55,480)	(61,526)
Decrease in cost of services provided	55,480	61,526
Changes in profit for the year	—	—

Amendments to HKFRS 7 Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 39 to the financial statements.

Notes to Financial Statements

31 December 2009

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

(continued)

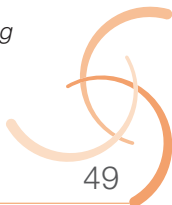
HKFRS 8 Operating Segments

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i> ¹
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters</i> ²
HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i> ⁴
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment — Group Cash-settled Share-based Payment Transactions</i> ²
HKFRS 3 (Revised)	<i>Business Combinations</i> ¹
HKFRS 9	<i>Financial Instruments</i> ⁶
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ⁵
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ¹
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation — Classification of Rights Issues</i> ³
HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement — Eligible Hedged Items</i> ¹
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> ⁵
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i> ¹
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ⁴
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	Amendments to HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary</i> ¹
HK Interpretation 4 (Revised in December 2009)	<i>Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i> ²



2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

- ¹ Effective for annual periods beginning on or after 1 July 2009
- ² Effective for annual periods beginning on or after 1 January 2010
- ³ Effective for annual periods beginning on or after 1 February 2010
- ⁴ Effective for annual periods beginning on or after 1 July 2010
- ⁵ Effective for annual periods beginning on or after 1 January 2011
- ⁶ Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that except for the adoption of HKAS 24 (Revised) may result in new or amended disclosures; the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies; and the adoption of HKFRS 9 may result in new or amended disclosures and changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

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

- (a) service income, when the relevant services have been provided;
- (b) from the sale of tickets, when the tickets have been sold to the customers;
- (c) from the sale of food and beverages, when the food and beverages have been provided;
- (d) from the sale of goods, when the significant risks and title of the goods have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (e) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Revenue recognition (continued)

- (f) rental income, on a time proportion basis over the lease terms;
- (g) dividend income, when the shareholder's right to receive payment has been established, and
- (h) from the sales of investments, on the transaction dates when the investments are disposed of.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

- (a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;
- (c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or
- (d) an equity investment accounted for in accordance with HKAS 39 *Financial Instruments: Recognition and Measurements*, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interest in a jointly-controlled entity is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of a jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entity are eliminated to the extent of the Group's interest in the jointly-controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interest in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of its associate is included in the consolidated income statement and consolidated reserves, respectively.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 May 2005

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates and jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset in the consolidated statement of financial position.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Goodwill (continued)

Goodwill on acquisitions for which the agreement date is on or after 1 May 2005 (continued)

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 *Business Combinations* ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated reserves in the year of acquisition. On the adoption of HKFRS 3 *Business Combinations*, such goodwill remained eliminated against consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), 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 to sell, 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Impairment of non-financial assets *(continued)*

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 income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any 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 other than goodwill 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 an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party, directly, or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation 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 income statement 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, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life as follows:

Medium term leasehold buildings outside Hong Kong	20 years or over the lease terms, whichever is shorter
Furniture, fixtures, equipment, motor vehicles, plant and machinery and leasehold improvements	5 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, 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 and any significant part initially recognised is derecognised 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 income statement in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Property, plant and equipment and depreciation *(continued)*

Construction in progress represents building structures under construction, 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.

Rights to use port facilities

Rights to use port facilities are stated at cost less accumulated amortisation and any impairment losses. Amortisation is provided on the straight-line basis to write off the cost of the rights over the contracted period of 40 years.

The unamortised balance of the rights to use port facilities is assessed for impairment whenever there is an indication that the rights to use port facilities may be impaired and is written off to the extent that the unamortised balance is no longer likely to be recovered.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement 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.

Intangible assets (other than goodwill)

Intangible assets of the Group represented golf club memberships. Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of golf club memberships are assessed to be indefinite. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group 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.

The Group's financial assets include cash and cash equivalents, available-for-sale investments, securities measured at fair value through profit or loss, trade receivables, deposits and other receivables and amounts due from a jointly-controlled entity and related companies.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" above.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss *(continued)*

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and advances 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 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 finance income in the income statement. The loss arising from impairment is recognised in the income statement in finance costs.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Investments and other financial assets *(continued)*

Available-for-sale investments *(continued)*

After initial recognition, available-for-sale investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for “Revenue recognition” above.

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

Impairment of financial assets

The Group 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. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has 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, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost *(continued)*

If there is objective evidence that an impairment loss has been incurred, the amount of the loss 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 been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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

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 the income statement.

Available-for-sale investments

For available-for-sale investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss— measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement — is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Impairment of financial assets *(continued)*

Available-for-sale investments *(continued)*

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

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 derecognised when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include trade and other payables, construction payables and amounts due to related companies.

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing 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 income statement when the liabilities are derecognised as well as through the effective interest rate method 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 income statement.

Derecognition of financial liabilities

A financial liability is derecognised 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 income statement.

2.5 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, and only if, there is currently an 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.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models or other valuation models.

Inventories

Inventories, which comprise mainly food, beverages and souvenirs for resale purposes, are stated at the lower of cost and net realisable value, after making due allowances for obsolete or slow-moving items. 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 the Group's cash management.

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

Provisions

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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 interpretations and practices prevailing in the countries in which the Group 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.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an associate and interest in a joint venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and an associate and interest in a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Income tax *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operates in the People's Republic of China excluding Hong Kong and Macau (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and a jointly-controlled entity are currencies other than the Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, 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.

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

Judgements

In the process of applying the Group'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:

Classification between investment properties and owner-occupied properties

The Group 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, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. 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, the Group accounts for them separately. If these 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. Otherwise, the property is classified as an owner-occupied property. 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.

Impairment of assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) 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 assets; and (3) 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 have a material effect on the net present value used in the impairment test.

Impairment of available-for-sale investments

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes judgement to determine if the decline in value is significant or prolonged and whether there is an impairment that should be recognised in the income statement. During the year ended 31 December 2008, an impairment loss of HK\$23,906,000 was recognised for an available-for-sale asset. The carrying amounts of the available-for-sale assets as at 31 December 2008 was HK\$6,509,000, the details of which are set out in note 20 to the financial statements. During the year ended 31 December 2009, no impairment on the available-for-sale investments as their respective fair value was higher than its carrying value as at 31 December 2008.

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

Judgements *(continued)*

Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend. The Group considered that if the profits will not be distributed in the foreseeable future, then no withholding taxes should be provided.

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.

Estimation of fair value of leasehold buildings

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

- (a) current gross replacement costs of the improvement less allowance for physical deterioration and all relevant forms of obsolescence and optimisation;
- (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 principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.

The carrying amount of the leasehold buildings at 31 December 2009 was HK\$315,014,000 (2008: HK\$328,844,000) (note 12).

4. OPERATING SEGMENT INFORMATION

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

- (a) the hotel segment consists of the management of a holiday resort hotel in Zhuhai, the PRC (the “Hotel Business”);
- (b) the tourist attraction segment consists of the management of a theme park and an amusement park in Zhuhai, the PRC;
- (c) the provision of port facilities and ticketing services segment provides port facilities and ticketing services in Zhuhai, the PRC; and
- (d) the corporate and others segment comprises the Group’s investment holding and trading of securities, together with corporate expense items.

Management monitors the results of the Group’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/(loss), which is a measure of profit/(loss) before tax from existing operations. The profit/(loss) before tax from existing operations is measured consistently with the Group’s profit/(loss) before tax from existing operations except that interest income is excluded from such measurement.

Segment assets exclude amounts due from related companies as these assets are managed on a group basis.

Segment liabilities exclude tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

No further geographical information is presented as over 90% of the Group’s revenue is derived from customers based in Mainland China, and over 90% of the Group’s assets are located in Mainland China.

Notes to Financial Statements

31 December 2009

4. OPERATING SEGMENT INFORMATION *(continued)*

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31 December 2009 and 2008.

	Hotel		Tourist attraction		Provision of port facilities and ticketing services		Corporate and others		Consolidated	
	2009 HK\$'000	2008 HK\$'000 <i>(note 2.3)</i>	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000 <i>(note 2.3)</i>
Segment revenue:										
Sales to external customers	131,578	142,318	55,916	64,228	49,335	56,065	—	—	236,829	262,611
Segment results	(1,107)	(2,186)	(5,776)	559	22,183	27,955	(9,962)	(26,752)	5,338	(424)
Interest income									3,262	2,971
Share of profits and losses of a jointly-controlled entity	—	—	—	—	25,272	23,975	—	—	25,272	23,975
Profit before tax									33,872	26,522
Income tax expense									(9,790)	(11,740)
Profit for the year									24,082	14,782
Assets and liabilities:										
Segment assets	357,475	478,757	435,677	491,410	157,415	147,517	372,362	189,901	1,322,929	1,307,585
Interest in a jointly-controlled entity	—	—	—	—	109,587	110,393	—	—	109,587	110,393
Unallocated assets									14,377	—
Total assets									1,446,893	1,417,978
Segment liabilities	43,811	61,984	14,744	16,346	24,907	29,083	22,373	2,525	105,835	109,938
Unallocated liabilities									28,876	26,857
Total liabilities									134,711	136,795
Other segment information:										
Depreciation and amortisation	15,370	14,590	18,776	22,715	3,179	3,225	346	329	37,671	40,859
Capital expenditure	12,872	32,148	3,958	7,939	12,786	14,110	16	136	29,632	54,333
Net fair value losses/(gains) on securities measured at fair value through profit or loss	—	—	—	—	—	—	(6,330)	7,602	(6,330)	7,602
Impairment of trade receivables, net	476	27	—	—	—	(5)	—	—	476	22
Impairment of an available-for-sale investment	—	—	—	—	—	—	—	23,906	—	23,906

Notes to Financial Statements

31 December 2009

5. REVENUE AND OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents proceeds from the provision of services, sale of goods, tickets, food and beverages, and the provision of port facilities and ticketing services, less sales tax and after trade discounts and returns, during the year.

An analysis of the Group's revenue and other income and gains, net, is as follows:

	2009 HK\$'000	2008 HK\$'000 (note 2.3)
Revenue		
Sale of goods and provision of services	236,829	262,611
Other income and gains, net		
Interest income	3,262	2,971
Net fair value gains/(losses) on securities measured at fair value through profit or loss	6,330	(7,602)
Gains on disposal of securities measured at fair value through profit or loss	4,531	14,668
Dividend income from listed equity investments	131	798
Gross rental income	10,038	10,985
Foreign exchange differences, net	238	14,206
Others	1,480	1,665
	26,010	37,691
	262,839	300,302

Notes to Financial Statements

31 December 2009

6. PROFIT BEFORE TAX

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

	2009 HK\$'000	2008 HK\$'000 (note 2.3)
Cost of inventories sold	36,349	37,947
Cost of services provided*	145,922	157,514
Depreciation	29,677	32,770
Amortisation of prepaid land lease payments	7,311	7,298
Amortisation of rights to use port facilities	683	791
Minimum lease payments under operating leases in respect of land and buildings	17,010	16,815
Auditors' remuneration	680	1,200
Employee benefit expenses (including directors' remuneration (note 7)):		
Wages and salaries	64,447	66,676
Pension scheme contributions	5,282	5,270
	69,729	71,946
Loss on disposal and write-off of items of property, plant and equipment**	188	4,414
Net fair value losses/(gains) on securities measured at fair value through profit or loss	(6,330)	7,602
Gain on disposal of securities measured at fair value through profit or loss	(4,531)	(14,668)
Impairment of trade receivables, net	476	22
Foreign exchange differences, net	(238)	(14,206)
Impairment of an available-for-sale investment (2008: after a transfer from the available-for-sale investment revaluation reserve of a deficit of HK\$12,900,000 (note 20))	—	23,906

* Cost of services provided includes an amount of HK\$93,895,000 (2008: HK\$96,581,000) in respect of employee benefit expenses, depreciation of property, plant and equipment, amortisation of prepaid land lease payments, amortisation of rights to use port facilities and minimum lease payments under operating leases in respect of land and buildings, of which the respective total amounts are also disclosed separately above.

** These items are included in "Other operating expenses, net" and "Cost of sales" on the face of the consolidated income statement.

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7. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Fees		
— Independent non-executive directors	600	600
— Non-executive director	200	200
	800	800
Salaries, allowances and benefits in kind	289	313
Performance related bonuses	380	418
Pension scheme contributions	66	62
	735	793
	1,535	1,593

(a) *Independent non-executive directors*

The fees paid to independent non-executive directors during the year were as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Mr. Hui Chiu Chung	200	200
Mr. Chu Yu Lin, David	200	200
Mr. Albert Ho	200	200
	600	600

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

7. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

Directors' remuneration *(continued)*

(b) *Executive directors and a non-executive director*

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Performance related bonuses <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
2009					
Executive directors:					
Mr. Chen Yuanhe [#]	—	—	—	—	—
Mr. Gu Zengcai	—	—	—	—	—
Mr. Huang Xin	—	194	380	56	630
Mr. Mo Nenglin [#]	—	—	—	—	—
Mr. Lan Zhongdang [#]	—	—	—	—	—
Mr. Ye Yuhong [#]	—	—	—	—	—
Mr. Li Wenjun [#]	—	—	—	—	—
Mr. Zhu Lifu [^]	—	—	—	—	—
Mr. Jin Tao [^]	—	—	—	—	—
Mr. Wu Hanqiu [*]	—	95	—	10	105
	—	289	380	66	735
Non-executive director:					
Mr. Liang Han	200	—	—	—	200
	200	289	380	66	935

Notes to Financial Statements

31 December 2009

7. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

Directors' remuneration *(continued)*

(b) *Executive directors and a non-executive director (continued)*

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Performance related bonuses <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
2008					
Executive directors:					
Mr. Zhu Lifu	—	—	—	—	—
Mr. Gu Zengcai	—	—	—	—	—
Mr. Huang Xin	—	188	316	42	546
Mr. Jin Tao	—	—	—	—	—
Mr. Yu Huaguo [®]	—	—	—	—	—
Mr. Wu Hanqiu	—	125	102	20	247
	—	313	418	62	793
Non-executive director:					
Mr. Liang Han	200	—	—	—	200
	200	313	418	62	993

[#] Mr. Chen Yuanhe, Mr. Mo Nenglin, Mr. Lan Zhongdang, Mr. Ye Yuhong and Mr. Li Wenjun appointed as directors of the Company on 22 July 2009.

[^] Mr. Zhu Lifu and Mr. Jin Tao resigned as directors of the Company on 22 July 2009.

^{*} Mr. Wu Hanqiu resigned as a director of the Company on 3 June 2009.

[®] Mr. Yu Huaguo resigned as a director of the Company on 3 September 2008.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008: Nil).

7. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

Five highest paid employees

The five highest paid employees during the year included one (2008: one) director, details of whose remuneration are set out above. Details of the remuneration of the remaining four (2008: four) non-director, highest paid employees for the year are as follows:

	Group	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,737	1,772
Pension scheme contributions	102	87
	1,839	1,859

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2009	2008
Nil to HK\$1,000,000	3	3
HK\$1,000,001 to HK\$1,500,000	1	1
	4	4

No emoluments were paid by the Group to the non-director, highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

Notes to Financial Statements

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8. INCOME TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2008: Nil). The Group's subsidiaries located in Mainland China are subject to the PRC income tax rate of 20% (2008: 18%).

	Group	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Group:		
Current		
— Hong Kong	—	—
— PRC	5,570	6,640
Deferred (<i>note 30</i>)	4,220	5,100
Total tax charge for the year	9,790	11,740

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the tax jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Group	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Profit before tax	33,872	26,522
Tax at the statutory tax rate	9,691	9,300
Lower tax rates for specific provinces or enacted by local authority	(2,413)	(4,054)
Profits and losses attributable to a jointly-controlled entity	(5,054)	(4,316)
Income not subject to tax	(253)	(3,286)
Expenses not deductible for tax	2,111	6,801
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries and a jointly-controlled entity	4,220	5,100
Tax losses not recognised	1,488	2,195
Tax charge at the Group's effective tax rate	9,790	11,740

8. INCOME TAX *(continued)*

The share of tax attributable to a jointly-controlled entity amounting to approximately HK\$7,418,000 (2008: HK\$5,355,000) is included in "Share of profits and losses of a jointly-controlled entity" on the face of the consolidated income statement. There was no profits tax attributable to the associates of the Group as the associates did not generate any assessable profits during the year (2008: Nil).

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and became effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%.

Pursuant to the Notice on the Implementation Rules for Grandfathering Relief under the New Corporate Income Tax Law issued by The State Council of the PRC on 26 December 2007, effective from 1 January 2008, the existing preferential income tax rate of 15% pertaining to the Group's subsidiaries operated in Mainland China will gradually transit to the applicable tax rate of 25%. The existing preferential tax rate applicable to the Group's subsidiaries for the year was 20% (2008: 18%).

9. PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to ordinary equity holders of the Company for the year ended 31 December 2009 includes a profit of approximately HK\$388,000 (2008: HK\$759,000) which has been dealt with in the financial statements of the Company (note 32(b)).

10. DIVIDENDS

The directors resolved not to declare any dividend for the year ended 31 December 2009 (2008: Nil).

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of approximately HK\$22,169,000 (2008: HK\$12,374,000) and the number of ordinary shares in issue during the year of 1,118,600,000 (2008: 1,118,600,000).

No adjustment has been made to the basic earnings per share presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

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12. PROPERTY, PLANT AND EQUIPMENT

Group

	Construction in progress <i>HK\$'000</i>	Medium term leasehold buildings outside Hong Kong <i>HK\$'000</i>	Furniture, fixtures, equipment, motor vehicles, plant and machinery and leasehold improvements <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2009				
At 31 December 2008 and 1 January 2009:				
Cost or valuation	43,293	328,844	220,421	592,558
Accumulated depreciation	—	—	(167,787)	(167,787)
Net carrying amount	43,293	328,844	52,634	424,771
At 1 January 2009, net of accumulated depreciation				
	43,293	328,844	52,634	424,771
Additions	24,667	—	4,965	29,632
Disposals and write-off	(9,985)	—	(1,089)	(11,074)
Surplus on revaluation	—	2,823	—	2,823
Depreciation provided during the year	—	(16,653)	(13,024)	(29,677)
Transfers	(19,554)	—	19,554	—
At 31 December 2009, net of accumulated depreciation	38,421	315,014	63,040	416,475
At 31 December 2009:				
Cost or valuation	38,421	315,014	235,336	588,771
Accumulated depreciation	—	—	(172,296)	(172,296)
Net carrying amount	38,421	315,014	63,040	416,475
Analysis of cost or valuation:				
At cost	38,421	—	235,336	273,757
At 31 December 2009 valuation	—	315,014	—	315,014
	38,421	315,014	235,336	588,771

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group

	Construction in progress HK\$'000	Medium term leasehold buildings outside Hong Kong HK\$'000	Furniture, fixtures, equipment, motor vehicles, plant and machinery and leasehold improvements HK\$'000	Total HK\$'000
31 December 2008				
At 1 January 2008:				
Cost or valuation	8,045	335,370	196,608	540,023
Accumulated depreciation	—	—	(147,216)	(147,216)
Net carrying amount	8,045	335,370	49,392	392,807
At 1 January 2008, net of accumulated depreciation				
	8,045	335,370	49,392	392,807
Additions	39,568	—	14,765	54,333
Disposals and write-off	(4,152)	—	(390)	(4,542)
Deficit on revaluation	—	(9,909)	—	(9,909)
Depreciation provided during the year	—	(17,675)	(15,095)	(32,770)
Transfers	(1,006)	—	1,006	—
Exchange realignment	838	21,058	2,956	24,852
At 31 December 2008, net of accumulated depreciation				
	43,293	328,844	52,634	424,771
At 31 December 2008:				
Cost or valuation	43,293	328,844	220,421	592,558
Accumulated depreciation	—	—	(167,787)	(167,787)
Net carrying amount	43,293	328,844	52,634	424,771
Analysis of cost or valuation:				
At cost	43,293	—	220,421	263,714
At 31 December 2008 valuation	—	328,844	—	328,844
	43,293	328,844	220,421	592,558

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31 December 2009

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

**Furniture,
fixtures,
equipment,
motor vehicles
and leasehold
improvements**
HK\$'000

31 December 2009

At 31 December 2008 and 1 January 2009:

Cost	2,660
Accumulated depreciation	(1,865)
Net carrying amount	795

At 1 January 2009, net of accumulated depreciation	795
Additions	17
Disposals	(15)
Depreciation provided during the year	(302)

At 31 December 2009, net of accumulated depreciation **495**

At 31 December 2009:

Cost	2,662
Accumulated depreciation	(2,167)
Net carrying amount	495

31 December 2008

At 1 January 2008:

Cost	2,616
Accumulated depreciation	(1,582)
Net carrying amount	1,034

At 1 January 2008, net of accumulated depreciation	1,034
Additions	66
Depreciation provided during the year	(305)

At 31 December 2008, net of accumulated depreciation **795**

At 31 December 2008:

Cost	2,660
Accumulated depreciation	(1,865)
Net carrying amount	795

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Certain leasehold buildings of the Group, which are staff quarters, were revalued individually by Castores Magi (Hong Kong) Limited ("Castores"), an independent firm of professionally qualified valuers, on the open market basis and the respective leasehold buildings of the Group were revalued at HK\$8,770,000 (2008: HK\$6,260,000) as at 31 December 2009.

In the opinion of the directors, the carrying amounts of the remaining leasehold buildings of the Group, which were revalued at HK\$322,584,000 on the depreciated replacement cost basis by Castores as at 31 December 2008, approximate to their respective fair values at 31 December 2009.

Had the Group's medium term leasehold buildings been carried at cost less accumulated depreciation, they would have been included in the financial statements at a net book value of HK\$215,011,000 (2008: HK\$231,477,000).

13. PREPAID LAND LEASE PAYMENTS

	Group	
	2009	2008
	HK\$'000	HK\$'000
Carrying amount at beginning of year	194,472	198,747
Exchange realignment	—	3,023
Amortisation recognised during the year	(7,311)	(7,298)
Carrying amount at end of year	187,161	194,472
Current portion included in prepayments, deposits and other receivables under current assets	(7,311)	(7,311)
Non-current portion	179,850	187,161

The prepaid land lease payments are held under medium term leases and are situated outside Hong Kong.

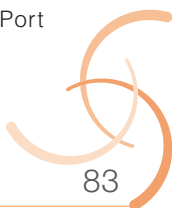
Notes to Financial Statements

31 December 2009

14. RIGHTS TO USE PORT FACILITIES

	Group <i>HK\$'000</i>
31 December 2009	
At 31 December 2008 and 1 January 2009:	
Cost	26,243
Accumulated amortisation	(5,864)
Net carrying amount	20,379
At 1 January 2009, net of accumulated amortisation	20,379
Amortisation recognised during the year	(683)
At 31 December 2009, net of accumulated amortisation	19,696
At 31 December 2009:	
Cost	26,243
Accumulated amortisation	(6,547)
Net carrying amount	19,696
31 December 2008	
At 1 January 2008:	
Cost	24,716
Accumulated amortisation	(4,772)
Net carrying amount	19,944
At 1 January 2008, net of accumulated amortisation	19,944
Amortisation recognised during the year	(791)
Exchange realignment	1,226
At 31 December 2008, net of accumulated amortisation	20,379
At 31 December 2008:	
Cost	26,243
Accumulated amortisation	(5,864)
Net carrying amount	20,379

The balance represents the Group's rights to use certain buildings and structures erected at the Jiuzhou Port in Zhuhai, the PRC, for a term up to 27 March 2040 (note 37(b)).



15. INTANGIBLE ASSET

	Group <i>HK\$'000</i>
31 December 2009	
At 31 December 2008 and 1 January 2009:	
Cost	26,086
Accumulated impairment	(19,839)
Net carrying amount	6,247
At 1 January 2009 and 31 December 2009, net of accumulated impairment	6,247
At 31 December 2009:	
Cost	26,086
Accumulated impairment	(19,839)
Net carrying amount	6,247
31 December 2008	
At 1 January 2008:	
Cost	24,182
Accumulated impairment	(18,299)
Net carrying amount	5,883
At 1 January 2008, net of accumulated impairment	5,883
Exchange realignment	364
At 31 December 2008	6,247
At 31 December 2008:	
Cost	26,086
Accumulated impairment	(19,839)
Net carrying amount	6,247

Notes to Financial Statements

31 December 2009

15. INTANGIBLE ASSET *(Continued)*

The balance represents membership of a golf club in Zhuhai, the PRC, held by the Group. The membership is perpetual and is freely transferrable. The membership is acquired by the Group to provide golf club facilities for the Group's customers.

The recoverable amount of the golf club membership at 31 December 2008 was determined by the Group with reference to the open market basis assessed by Castores and approximated to its carrying values. In the opinion of the directors, the carrying amount of the Company's golf club membership does not differ materially from its fair value at 31 December 2009.

16. GOODWILL

As detailed in note 2.5 to the financial statements, the Group applied the transitional provisions of HKFRS 3 that permitted goodwill in respect of business combinations which occurred prior to 2001, to remain eliminated against consolidated reserves.

The amount of goodwill remaining in the consolidated retained profits as at 31 December 2009 and 2008, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001, was approximately HK\$200,573,000.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK\$'000	HK\$'000
Unlisted shares, at cost	892,808	892,808
Due from subsidiaries	218,589	144,202
	1,111,397	1,037,010

The amounts due from subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these amounts are considered as quasi-equity loans to the subsidiaries, and hence are classified as non-current assets.

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jiuzhou Tourist Development Company Limited	British Virgin Islands/Hong Kong	US\$15,600	100	—	Investment and property holding
Zhuhai Holiday Resort Hotel Co., Ltd. <i>(note a)</i>	PRC/Mainland China	HK\$184,880,000	—	100	Management of a holiday resort
The New Yuanming Palace Tourist Co., Ltd. of Zhuhai S.E.Z. <i>(note a)</i>	PRC/Mainland China	RMB60,000,000	—	100	Management of a theme park
珠海水上娛樂有限公司 <i>(note a)</i>	PRC/Mainland China	RMB22,500,000	—	100	Management of an amusement park
Jiuzhou Port Company <i>(note b)</i>	PRC/Mainland China	RMB42,330,000	—	90	Provision of port facilities and ticketing services

Notes:

- (a) Registered as wholly-foreign-owned enterprises under the PRC law
- (b) Registered as a contractual joint venture under the PRC law

The statutory financial statements of the subsidiaries listed above were not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

The above table lists the subsidiaries of the Company which, in the opinion of the Company's board of directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to Financial Statements

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18. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Share of net assets of an unlisted jointly-controlled entity	109,587	110,393

Particulars of the jointly-controlled entity indirectly held by the Company are as follows:

Name	Paid-up capital	Place of registration and operations	Percentage of			Principal activity
			Ownership interest	Voting power	Profit sharing	
Ferry Company	RMB65,374,000	PRC/Mainland China	49	49	49	Provision of ferry services

The statutory financial statements of the jointly-controlled entity were not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

The following table illustrates the summarised financial information of the Group's jointly-controlled entity:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Share of the jointly-controlled entity's assets and liabilities		
Non-current assets	84,630	62,540
Current assets	78,525	109,164
Current liabilities	(45,749)	(53,492)
Non-current liabilities	(7,819)	(7,819)
Net assets	109,587	110,393



18. INTEREST IN A JOINTLY-CONTROLLED ENTITY (Continued)

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Share of the jointly-controlled entity's results		
Revenue	149,853	165,283
Other income	7,448	21,585
Total revenue	157,301	186,868
Total expenses	(124,611)	(157,538)
Tax	(7,418)	(5,355)
Profit after tax	25,272	23,975

19. INTEREST IN AN ASSOCIATE

	Group 2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Share of net assets of an unlisted associate	—	—

Particulars of the associate are as follows:

Name	Particulars of issued share capital	Place of incorporation and operations	Percentage of ownership interest attributable to the Group	Principal activity
Allways Internet Limited	Ordinary shares of HK\$3,000,000	Hong Kong	50	Investment holding

The statutory financial statements of the associate were not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

Notes to Financial Statements

31 December 2009

20. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Hong Kong listed equity investment, at fair value [#]	10,600	5,800	10,600	5,800
Unlisted equity investment, at cost	709	709	—	—
	11,309	6,509	10,600	5,800

The above investments consist of investments in equity securities which were designated as available-for-sale assets and have no fixed financial maturity date or coupon rate.

* On 10 July 2007, the Company subscribed certain shares in a company listed on the Stock Exchange through private placement at an aggregate consideration of HK\$29,706,000.

During the year ended 31 December 2008, there has been a significant decline in the market value of the shares of this company. The directors consider that such a decline indicates that the listed equity investment has been impaired and an impairment loss of HK\$23,906,000, which included a reclassification from other comprehensive income of HK\$12,900,000, has been recognised in the income statement for the year.

During the year ended 31 December 2009, there has been an increase in the market value of the shares of this company and the increase of HK\$4,800,000 was included in other comprehensive income during the year.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(a) Prepayments and deposits included in non-current assets:

	Notes	2009 HK\$'000	2008 HK\$'000
Group			
Rental prepayments		4,421	4,730
Deposit for the proposed acquisition of certain parcels of land	(i)	103,239	88,446
Prepayment and deposit for the proposed acquisition of a subsidiary	(ii)	30,000	31,556
		137,660	124,732
Company			
Prepayment and deposit for the proposed acquisition of a subsidiary	(ii)	30,000	31,556

- (i) On 30 June 2006, the Group entered into a letter of intent with Zhuhai Guoyuan (the "First Intent Letter"). Pursuant to the First Intent Letter, the Group had the first right of acquisition over several parcels of land (the "Hotel Land") leased to the Group where certain building structures of the Hotel Business were erected. In return, the Group paid a refundable deposit of approximately RMB78 million (equivalent to approximately HK\$88.4 million) to Zhuhai Guoyuan. Pursuant to the First Intent Letter, the deposit would be refunded to the Group should no formal legal binding agreement be entered into on or before 31 December 2006.

On 29 December 2006, the Group and Zhuhai Guoyuan entered into a conditional sale and purchase agreement (the "Land Agreement") for the acquisition of the Hotel Land for an aggregate cash consideration of approximately RMB90.9 million (equivalent to approximately HK\$103.2 million).

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

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(Continued)

(a) Prepayments and deposits included in non-current assets: *(Continued)*

- (i) During the years ended 31 December 2008 and 2009, announcements dated 18 March 2008, 16 October 2008 and 7 April 2009 were made by the Company that the Group had entered into various extension agreements with Zhuhai Guoyuan to extend the longstop dates from 16 April 2008 to 16 October 2009 for satisfaction of the conditions precedent under the Land Agreement.

During the year ended 31 December 2009, the remaining portion of RMB12.9 million (equivalent to approximately HK\$14.8 million) was paid to Zhuhai Guoyuan and the entire consideration for the Hotel Land has been fully settled. The Group was still in the process of obtaining the land use right certificate up to the date of approval of these financial statements.

- (ii) On 27 August 2008, the Company entered into a letter of intent (as amended and supplemented by a supplemental letter of intent on 10 September 2008) (the "Letter of Intent") with an individual (the "Vendor") who is an independent third party in relation to the possible acquisition of 80% of the entire issued share capital of a company in Hong Kong (the "Target Company") (the "Proposed Acquisition"). The Letter of Intent became effective on 10 September 2008. The Target Company owns a wholly-foreign investment enterprise established in the PRC which is principally engaged in the operation and management of a golf club, gun club, hunting area, hotel and sports training centre in Zhuhai.

Pursuant to the Letter of Intent, the Company paid earnest money (the "Earnest Money") in the sum of RMB26 million (equivalent to approximately HK\$30 million) to the Vendor in connection with the Proposed Acquisition during the year. The Earnest Money was secured by, among others, the Vendor's 80% equity interest in the Target Company. As a separate term of the Letter of Intent, the Vendor agreed to grant an exclusive right of negotiation for the acquisition of the Target Company to the Company up to 31 December 2008. Details of the Letter of Intent are set out in the Company's announcement dated 10 September 2008.

In addition, pursuant to the Letter of Intent, the Group has the right to demand full refund of the Earnest Money if the Proposed Acquisition was eventually unsuccessful.

After carrying out due diligence procedures on the Target Company, the Company decided not to proceed with the Proposed Acquisition and the Letter of Intent was terminated accordingly. In addition, the Company demanded for refund of the Earnest Money, which was refused by the Vendor. Details of the above are set out in the Company's announcement dated 20 July 2009. As such, legal proceedings were instituted between the Company and the Vendor for the refund of the Earnest Money.

Up to the date of approval of these financial statements, the Company was still in the process of legal proceedings for recovering the Earnest Money. Having consulted with the Group's lawyer, the directors consider that the Vendor does not have sufficient grounds for his refusal to refund the Earnest Money to the Company, and the Company has valid grounds to demand for the full refund of the Earnest Money from the Vendor.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(Continued)

(b) Prepayments, deposits and other receivables included in current assets:

	2009 HK\$'000	2008 HK\$'000
Group:		
Prepayments	11,123	8,268
Deposits and other receivables	55,313	6,909
	66,436	15,177
Company:		
Prepayments	—	352
Deposits and other receivables	1,835	1,613
	1,835	1,965

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to deposits and other receivables for which there was no recent history of default.

As at 31 December 2009, the Group deposited funds in aggregate of HK\$48,734,000 to a security broker in the PRC for future investment in shares listed on the stock exchanges of Shenzhen and Shanghai. The amount deposited is unsecured, interest bearing at prevailing PRC bank deposit rate and has no fixed terms of repayment and the Group does not hold any collateral or other credit enhancements over the balance.

Notes to Financial Statements

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22. SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Listed equity investments in Hong Kong, at market value	9,815	3,483	9,815	3,483
Unlisted equity investments in the PRC, at fair value	611	—	—	—
Unlisted investment funds in the PRC, at fair value	175,921	194	—	—
	186,347	3,677	9,815	3,483

The above investments at 31 December 2009 and 2008 were classified as held for trading upon initial recognition.

23. INVENTORIES

	Group	
	2009 HK\$'000	2008 HK\$'000
Food, beverages and souvenirs held for resale	2,920	3,206

24. TRADE RECEIVABLES

	Group	
	2009 HK\$'000	2008 HK\$'000
Trade receivables	24,716	38,432
Impairment	(1,251)	(2,810)
	23,465	35,622



24. TRADE RECEIVABLES *(Continued)*

A defined credit policy is maintained within the Group. The general credit terms range from one to three months, except for certain well-established customers with a good repayment history, where the terms are extended to 18 months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise its credit risk. Overdue balances are regularly reviewed by senior management. Trade receivables are non-interest-bearing.

As at 31 December 2009, the Group had a receivable from the Zhuhai Municipal Government arising from the use of the Group's hotel facilities amounting to approximately HK\$12,793,000 (2008: HK\$25,930,000) which accounted for approximately 55% (2008: 73%) of the total trade receivable balance. The trade receivable with the Zhuhai Municipal Government is unsecured and interest-free, and the credit term granted is as mentioned above.

An aged analysis of the trade receivables at the end of the reporting period, net of impairment allowance and based on the invoice date, is as follows:

	Group	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current to 3 months	14,621	13,342
4 to 6 months	3,494	3,451
7 to 12 months	2,320	13,958
Over 12 months	3,030	4,871
	23,465	35,622

The movements in the impairment allowance for trade receivables are as follows:

	Group	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
At beginning of year	2,810	2,626
Impairment losses recognised	476	27
Amount written off as uncollectible	(2,035)	—
Write-back of impairment losses	—	(5)
Exchange realignment	—	162
	1,251	2,810

Notes to Financial Statements

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24. TRADE RECEIVABLES *(Continued)*

Included in the above impairment allowance for trade receivables is an allowance for individually impaired trade receivables of approximately HK\$1,251,000 (2008: HK\$2,810,000) with a gross carrying amount before provision of approximately HK\$2,408,000 (2008: HK\$3,556,000). The individually impaired trade receivables relate to customers that were in default or delinquency in payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	18,417	28,783
Less than 1 year past due	3,891	5,118
More than 1 year past due	—	975
	22,308	34,876

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good repayment record with the Group. Based on past experience, the directors of the Company are of the opinion that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

25. DUE FROM A JOINTLY-CONTROLLED ENTITY

The amount due from a jointly-controlled entity is unsecured, interest-free and repayable on demand.

26. BALANCES WITH RELATED COMPANIES

Particulars of the amounts due from related companies are as follows:

Group

	At 31 December 2009 HK\$'000	Maximum amount outstanding during the year HK\$'000	At 31 December 2008 HK\$'000
珠海度假村酒店管理有限公司*	9,290	9,290	—
珠澳旅游集散中心*	4,923	4,923	—
珠海市九洲郵輪有限公司	145	419	—
珠海度假村加油站	19	19	—
Macau-Mondial Travel & Tours Ltd. ("Macau-Mondial")**	5,398	5,398	5,398
Zhuhai Special Economic Zone Hotel ("Zhuhai SEZ Hotel")**	458	458	458
	20,233		5,856
Impairment	(5,856)		(5,856)
	14,377		—

* The amounts represented the funds advanced to the related companies from the Group.

** The amounts due from Macau-Mondial and Zhuhai SEZ Hotel, subsidiaries of Zhu Kuan Macau, represented the outstanding balances arising from the sale of tickets in prior years. Full provision in respect of the amounts had been made in prior years.

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

Notes to Financial Statements

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27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Cash and bank balances	269,279	460,169	52,654	114,214
Time deposits with original maturity within three months	—	17,006	—	17,006
	269,279	477,175	52,654	131,220

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK\$254,227,000 (2008: HK\$450,624,000). 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, the Group 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. Short term time deposits are made for varying periods of between seven days and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

28. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
Current to 3 months	16,034	14,103
4 to 6 months	424	688
7 to 12 months	226	1,014
Over 12 months	2,994	2,387
	19,678	18,192

The trade payables are non-interest-bearing and are normally settled on 60-day terms.



29. CONSTRUCTION PAYABLES

Construction payables, which represent amounts due to construction contractors, are unsecured, interest-free and repayable in accordance with the terms of the respective construction contracts.

30. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities of the Group during the year are as follows:

	Revaluation of leasehold buildings <i>HK\$'000</i>	Withholding taxes <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2009			
At 31 December 2008 and 1 January 2009	9,969	5,100	15,069
Deferred tax charged to the income statement during the year (<i>note 8</i>)	—	4,220	4,220
Deferred tax charged to equity during the year	706	—	706
Withholding tax paid on repatriation of earnings from the jointly-controlled entity	—	(2,607)	(2,607)
At 31 December 2009	10,675	6,713	17,388
31 December 2008			
At 1 January 2008	12,446	—	12,446
Deferred tax charged to the income statement during the year (<i>note 8</i>)	—	5,100	5,100
Deferred tax credited to equity during the year	(2,477)	—	(2,477)
At 31 December 2008	9,969	5,100	15,069

The Group has tax losses arising in Hong Kong of approximately HK\$62,236,000 (2008: HK\$53,218,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in companies that have been loss-making for some time and/or the future income stream to recoup such losses is unpredictable.

Notes to Financial Statements

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30. DEFERRED TAX LIABILITIES *(Continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries and the jointly-controlled entity established in the PRC in respect of earnings generated from 1 January 2008.

For the remaining subsidiaries established in the PRC, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes as, in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised totalled approximately HK\$8,708,000 at 31 December 2009 (2008: HK\$5,077,000).

31. SHARE CAPITAL

Shares	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000
Issued and fully paid:		
1,118,600,000 ordinary shares of HK\$0.10 each	111,860	111,860

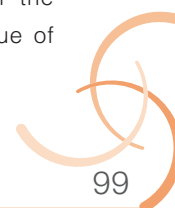
There was no movement in the Company's share capital during the years ended 31 December 2009 and 2008.

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2009 and 2008 presented in the consolidated statement of changes in equity.

The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired, together with the surplus arising on the acquisition of the site of the Group's theme park, pursuant to the Group reorganisation on 30 April 1998, and the nominal value of the Company's shares issued pursuant to the Group reorganisation.



32. RESERVES (Continued)

(a) Group (Continued)

In accordance with the relevant PRC regulations, the subsidiaries and the jointly-controlled entity established in the PRC are required to transfer a certain percentage of their profits after tax to the statutory reserve funds. Subject to certain restrictions set out in the relevant PRC regulations and the articles of association of the subsidiaries and the jointly-controlled entity, the statutory reserve funds may be used to offset against losses and/or may be capitalised as paid-up capital.

Goodwill arising on the acquisition of subsidiaries in prior years of approximately HK\$200,573,000 (2008: HK\$200,573,000) remains eliminated against consolidated reserves, as further explained in note 16 to the financial statements.

(b) Company

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Available- for-sale investment revaluation reserve <i>HK\$'000</i> <i>(note 20)</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2008	459,870	628,440	(12,900)	2,491	1,077,901
Total comprehensive income for the year	—	—	12,900	759	13,659
At 31 December 2008 and 1 January 2009	459,870	628,440	—	3,250	1,091,560
Total comprehensive income for the year	—	—	4,800	388	5,188
At 31 December 2009	459,870	628,440	4,800	3,638	1,096,748

The contributed surplus of the Company represents the excess of the then combined net asset value of the subsidiaries acquired pursuant to the reorganisation scheme referred to in note 32(a), over the nominal value of the Company's shares issued in exchange therefor. Under the Bermuda Companies Act 1981, the contributed surplus of the Company is distributable to shareholders in certain circumstances.

33. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest ("Invested Entity"). Eligible participants of the Scheme include (i) the directors and employees of the Company, its subsidiaries or any Invested Entity, suppliers and customers of the Group, or (ii) any Invested Entity, any person or entity that provides research, development or other technological support to the Group, or (iii) any Invested Entity, or any shareholder of any member of the Group, or (iv) any Invested Entity, or any holder of any securities issued by any member of the Group or any Invested Entity. The Scheme became effective on 26 September 2002 and, unless otherwise terminated or amended, will remain in force for 10 years.

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

Each grant of share options to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates under the Scheme must comply with the requirements of Rule 17.04 of the Listing Rules and must be subject to approval by the independent non-executive directors to whom share options have not been granted. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, which would result in the shares issued and to be issued upon the exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK\$5 million is subject to prior approval from shareholders in a general meeting.



33. SHARE OPTION SCHEME *(Continued)*

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon the payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and shall not be more than 10 years from the date of offer of the share options, subject to the provisions for early termination as set out in the Scheme. There is no minimum period for which an option must be held before the exercise of the subscription right attaching thereto, except as otherwise imposed by the Company's board of directors.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as quoted on the Stock Exchange on the date of grant of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the years ended 31 December 2009 and 2008, no share options have been granted, exercised, cancelled or lapsed under the Scheme. Moreover, the Company has no share options outstanding as at 31 December 2009 and 2008.

34. CONTINGENT LIABILITIES

At the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities (2008: Nil).

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its leasehold buildings under operating lease arrangements, with leases negotiated for original terms ranging from 1 to 15 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.

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35. OPERATING LEASE ARRANGEMENTS *(Continued)*

(a) As lessor *(Continued)*

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within one year	15,547	7,911
In the second to fifth years, inclusive	36,059	23,995
After five years	22,055	6,099
	73,661	38,005

(b) As lessee

The Group leases certain of its office premises, hotel and port properties and facilities under operating lease arrangements. Leases are negotiated for original terms ranging from 1 to 44 years.

At the end of the reporting period, the Group and the Company had future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within one year	13,526	9,989	763	900
In the second to fifth years, inclusive	40,170	36,509	155	168
After five years	246,370	255,454	—	—
	300,066	301,952	918	1,068

36. COMMITMENTS

In addition to the operating leases commitments detailed in note 35(b) above, the Group and the Company had the following capital commitments at the end of the reporting period:

	Group	
	2009 HK\$'000	2008 HK\$'000
Contracted, but not provided for:		
Acquisition of items of property, plant and equipment	21,498	31,118
Acquisition of the Hotel Land	—	14,628
	21,498	45,746

In addition, the Group's share of the jointly-controlled entity's own capital commitments, which are not included in the above, is as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
Contracted, but not provided for	—	20,758

37. RELATED PARTY TRANSACTIONS

(a) In addition to those disclosed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year:

Name	Notes	Nature	2009 HK\$'000	2008 HK\$'000
Zhuhai Holiday Resort Co., Ltd. (the "Resort Company")	(i)	Rental expenses	8,500	8,500
Ferry Company	(ii)	Port service fees	31,441	38,510
Zhuhai Jiuzhou Tourism Group	(iii)	Rental expenses	4,340	4,524
China Marine Bunker Supply Company Jiuzhou Branch	(iv)	Diesel fuel expenses	7,046	7,498

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37. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *Notes:*

- (i) The rental expenses paid to the Resort Company, a subsidiary of Zhu Kuan Macau, was calculated based on the terms of the tenancy agreement.
- (ii) Jiuzhou Port Company, a subsidiary of the Company, received agency commission fees and service fees for acting as an agent for the sale of ferry tickets to passengers and for the provision of management services for the berthing facilities at the Jiuzhou Port in Zhuhai to Ferry Company, a jointly-controlled entity. The service fees are charged at a rate of 23.5% on the gross proceeds from the sale of ferry tickets.
- (iii) Jiuzhou Port Company has entered into certain lease agreements with Zhuhai Jiuzhou Tourism Group, a substantial shareholder of the Company, as follows:
 - (1) Under a lease agreement dated 28 March 2000, Zhuhai Jiuzhou Tourism Group agreed to lease to Jiuzhou Port Company the land use rights in respect of the land surrounding the Jiuzhou Port at an annual rental of RMB515,000 (equivalent to approximately HK\$584,000) for a period of 40 years starting from 28 March 2000;
 - (2) Under a lease agreement dated 18 January 2009, Zhuhai Jiuzhou Tourism Group agreed to lease to Jiuzhou Port Company the plaza surrounding the Jiuzhou Port at an annual rental of RMB700,000 (equivalent to approximately HK\$794,000) for a period of one year starting from 1 January 2009;
 - (3) Under a renewed lease agreement dated 1 January 2009, Zhuhai Jiuzhou Tourism Group agreed to lease to Jiuzhou Port Company certain office premises at an annual rental of approximately RMB755,000 (equivalent to approximately HK\$856,000) for a period of five years starting from 1 January 2009;
 - (4) Under a lease agreement dated 18 January 2009, Zhuhai Jiuzhou Tourism Group agreed to lease to Jiuzhou Port Company certain port facilities at the Jiuzhou Port adjacent to the land referred to in (1) above at an annual rental of RMB860,000 (equivalent to approximately HK\$975,000) for a period of one year starting from 1 January 2009;
 - (5) Under a lease agreement dated 1 January 2009, Zhuhai Jiuzhou Tourism Group agreed to lease to Jiuzhou Port Company certain ferry terminals at the Jiuzhou Port adjacent to the land referred to in (1) above at an annual rental of RMB650,000 (equivalent to approximately HK\$737,000) for a period of three years starting from 1 December 2008; and
 - (6) Under a lease agreement dated 1 January 2009, Zhuhai Jiuzhou Tourism Group agreed to lease to Jiuzhou Development Company Limited certain office premises at a monthly rental of approximately RMB30,000 (equivalent to approximately HK\$34,000) for a period of three years starting from 1 January 2009. Subsequently, a supplementary lease agreement dated 1 June 2009 was entered into between Zhuhai Jiuzhou Tourism Group and Jiuzhou Development Company Limited at a revised monthly rental of approximately RMB28,000 (equivalent to approximately HK\$32,000) for the same office premises for a period from 1 June 2009 to 31 December 2011.
- (iv) The diesel fuel expenses paid to China Marine Bunker Supply Company Jiuzhou Branch, which is a subsidiary of Zhuhai Jiuzhou Tourism Group, were calculated with reference to the diesel fuel supply agreement.

37. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Other transactions with related parties

In addition, in 1994, Jiuzhou Port Company was granted by Zhuhai Jiuzhou Tourism Group, who is also the major shareholder of Ferry Company, the rights to use the port facilities at the Jiuzhou Port for a period of 20 years for a lump sum payment of approximately RMB33,000,000 (equivalent to approximately HK\$31,000,000). Under a supplemental lease agreement dated 1 March 2000, the terms of the lease were renegotiated, and both parties agreed to extend the lease to Jiuzhou Port Company for the use of the port facilities, which include certain buildings and structures erected at the Jiuzhou Port, to 40 years from that date, up to 27 March 2040, at no additional cost (note 14).

(c) Outstanding balances with related parties

Details of the Group's balances with related parties were set out in notes 25 and 26 to the financial statements, respectively.

(d) Compensation to key management personnel of the Group

	2009 HK\$'000	2008 HK\$'000
Short term employee benefits	2,053	2,245
Post-employment benefits	146	137
Total compensation paid to key management personnel	2,199	2,382

Further details of directors' remuneration are included in note 7 to the financial statements.

The related party transactions in respect of items (a) and (b) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2009

Financial assets	Group			Total HK\$'000
	Financial assets at fair value through profit or loss HK\$'000	Loans and receivables HK\$'000	Available-for-sale financial assets HK\$'000	
Available-for-sale investments	—	—	11,309	11,309
Securities measured at fair value through profit or loss	186,347	—	—	186,347
Trade receivables	—	23,465	—	23,465
Financial assets included in prepayments, deposits and other receivables	—	188,552	—	188,552
Due from a jointly-controlled entity	—	3,245	—	3,245
Due from related companies	—	14,377	—	14,377
Cash and cash equivalents	—	269,279	—	269,279
	186,347	498,918	11,309	696,574

Financial liabilities	Financial liabilities at amortised cost HK\$'000
Trade payables	19,678
Financial liabilities included in accrued liabilities and other payables	59,507
Construction payables	4,593
Due to related companies	252
	84,030

38. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

2008

Financial assets	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Group		Total <i>HK\$'000</i>
		Loans and receivables <i>HK\$'000</i>	Available-for-sale financial assets <i>HK\$'000</i>	
Available-for-sale investments	—	—	6,509	6,509
Securities measured at fair value through profit or loss	3,677	—	—	3,677
Trade receivables	—	35,622	—	35,622
Financial assets included in prepayments, deposits and other receivables	—	125,355	—	125,355
Due from a jointly-controlled entity	—	2,929	—	2,929
Cash and cash equivalents	—	477,175	—	477,175
	3,677	641,081	6,509	651,267

Financial liabilities	Financial liabilities at amortised cost <i>HK\$'000</i>
Trade payables	18,192
Financial liabilities included in accrued liabilities and other payables	60,710
Construction payables	5,449
Due to related companies	1,206
	85,557

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38. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

2009

Financial assets	Company			Total HK\$'000
	Financial assets at fair value through profit or loss HK\$'000	Loans and receivables HK\$'000	Available-for-sale financial asset HK\$'000	
Due from subsidiaries	—	218,589	—	218,589
Available-for-sale investment	—	—	10,600	10,600
Securities measured at fair value through profit or loss	9,815	—	—	9,815
Financial assets included in prepayments, deposits and other receivables	—	31,835	—	31,835
Cash and cash equivalents	—	52,654	—	52,654
	9,815	303,078	10,600	323,493
Financial liabilities				Financial liabilities at amortised cost HK\$'000
Financial liabilities included in accrued liabilities and other payables				5,578

38. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

2008

Financial assets	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Company		Total <i>HK\$'000</i>
		Loans and receivables <i>HK\$'000</i>	Available-for-sale financial asset <i>HK\$'000</i>	
Due from subsidiaries	—	144,202	—	144,202
Available-for-sale investment	—	—	5,800	5,800
Securities measured at fair value through profit or loss	3,483	—	—	3,483
Financial assets included in prepayments, deposits and other receivables	—	31,613	—	31,613
Cash and cash equivalents	—	131,220	—	131,220
	3,483	307,035	5,800	316,318
Financial liabilities				Financial liabilities at amortised cost <i>HK\$'000</i>
Financial liabilities included in accrued liabilities and other payables				5,754

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39. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 December 2009, the Group and the Company held the following financial instruments measured at fair value:

Group	Level 1 <i>HK\$'000</i>
Available-for-sale securities:	
Equity investments	10,600
Securities measured at fair value through profit or loss	186,347
	<hr/>
	196,947

Company	Level 1 <i>HK\$'000</i>
Available-for-sale securities:	
Equity investments	10,600
Securities measured at fair value through profit or loss	9,815
	<hr/>
	20,415

As at 31 December 2009, the Group and the Company have no financial instruments measured at fair value under Level 2 and Level 3.

During the year ended 31 December 2009, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.



40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise securities measured at fair value through profit or loss, available-for-sale investments, balances with related parties and a jointly-controlled entity, and cash and cash equivalents. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, foreign currency risk, price risk and commodity price risk. The Company's board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(1) Credit risk

Credit risk is the risk that a customer or counterparty in a transaction may default. It arises from the credit terms which extend to customers and other activities undertaken by the Group. To manage credit risk, the Group has considered the underlying security and the long-established business relationship with the counterparty.

There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different intermediates and direct customers from different sectors and industries. In particular, management does not expect any credit risk arisen from the trade receivable from the Zhuhai Municipal Government.

The credit risk of the Group's other financial assets, which comprise deposits for the proposed acquisitions of certain parcels of land and a subsidiary, cash and cash equivalents, securities measured at fair value through profit or loss, available-for-sale investments, balances with related parties and a jointly-controlled entity, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from deposits and other receivables and trade receivables are disclosed in notes 21(b) and 24, respectively, to the financial statements.

(2) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables).



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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(2) Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

	On demand HK\$'000	Less than 12 months HK\$'000	Total HK\$'000
2009			
Trade payables	3,644	16,034	19,678
Financial liabilities included in accrued liabilities and other payables	51,636	7,871	59,507
Construction payables	4,534	59	4,593
Due to related companies	252	—	252
	60,066	23,964	84,030
2008			
Trade payables	11,065	7,127	18,192
Financial liabilities included in accrued liabilities and other payables	53,768	6,942	60,710
Construction payables	5,372	77	5,449
Due to related companies	1,206	—	1,206
	71,411	14,146	85,557

Company

	On demand HK\$'000
2009	
Financial liabilities included in accrued liabilities and other payables	5,578
2008	
Financial liabilities included in accrued liabilities and other payables	5,754

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(3) Foreign currency risk

The Group operates in Hong Kong and Mainland China and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to RMB. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in Mainland China. Management expected that RMB will continue to appreciate against the Hong Kong dollar and will further benefit the Group's net assets position.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the carrying values of monetary assets and liabilities) and the Group's equity (due to changes in the net asset value of the subsidiaries and the jointly-controlled entity with the functional currency of RMB).

	Change in exchange rate %	Increase/ (decrease) in the Group's profit before tax HK\$'000	Increase/ (decrease) in the Group's equity* HK\$'000
2009			
If RMB strengthens against Hong Kong dollar	5	8,118	46,645
If RMB weakens against Hong Kong dollar	5	(8,118)	(46,645)
2008			
If RMB strengthens against Hong Kong dollar	5	10,614	35,155
If RMB weakens against Hong Kong dollar	5	(10,614)	(35,155)

* Excluding retained profits

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(4) Price risk

Price risk is the risk that the fair values of securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group is exposed to price risk arising from individual investments classified as securities measured at fair value through profit or loss (note 22) and available-for-sale investments (note 20) as at 31 December 2009. The Group's listed investments are mainly listed on the Hong Kong, Shenzhen and Shanghai stock exchanges and are valued at quoted market prices at the end of the reporting period. The Group's unlisted investment funds are valued at quoted prices at the end of the reporting period provided by the respective fund managers.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2009	High/low 2009	31 December 2008	High/low 2008
Hong Kong — Hang Seng Index	21,873	22,944/ 11,345	14,387	27,616/ 11,016

The following table demonstrates the sensitivity to every decrease of 15% and 10% change in the fair values of the securities listed in Hong Kong and unlisted investments in Mainland China, respectively, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.



40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(4) Price risk *(Continued)*

	Carrying amount of securities <i>HK\$'000</i>	Decrease in the Group's profit before tax <i>HK\$'000</i>	Decrease in the Group's equity <i>HK\$'000</i>
2009			
Investments in:			
Hong Kong			
— Available-for-sale listed equity investment	10,600	(1,590)	(1,590)
— Listed equity investments measured at fair value through profit or loss	9,815	(1,472)	(1,472)
Mainland China			
— Unlisted investment funds measured at fair value through profit or loss	175,921	(17,592)	(17,592)
2008			
Investments in:			
Hong Kong			
— Available-for-sale listed equity investment	5,800	(870)	(870)
— Listed equity investments measured at fair value through profit or loss	3,483	(522)	(522)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(5) Commodity price risk

The major component included in the Group's and the Ferry Company's cost of sales is diesel fuel oil. The Group is exposed to fluctuations in the diesel fuel oil price which is influenced by global as well as regional supply and demand conditions. An increase in the diesel oil price could adversely affect the Group's financial performance. The Group historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

(6) Capital management

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

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2009 and 2008.

In addition, the Group monitors capital using a current ratio, which is the total current assets divided by the total current liabilities. The Group's policy is to maintain the current ratio above 2.

41. COMPARATIVE AMOUNTS

As further explained in note 2.3 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and revised to conform with the current year's presentation and accounting treatment.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 23 April 2010.

Financial Summary

The following is a summary of the Group's published results and assets, liabilities and minority interests of the Group for the last five financial periods prepared on the basis set out in note (i) below:

RESULTS

	Year ended 31 December			Eight months ended	Year ended
	2009	2008	2007	31 December	30 April
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE (note 2.3)	236,829	262,611	238,502	147,371	191,474
PROFIT BEFORE TAX	33,872	26,522	91,488	49,260	40,655
Tax	(9,790)	(11,740)	(9,498)	(3,995)	(4,247)
PROFIT FOR THE YEAR/PERIOD	24,082	14,782	81,990	45,265	36,408
Attributable to:					
Owners of the Company	22,169	12,374	79,405	44,145	34,805
Minority interests	1,913	2,408	2,585	1,120	1,603
	24,082	14,782	81,990	45,265	36,408

ASSETS, LIABILITIES AND MINORITY INTERESTS

	31 December				30 April
	2009	2008	2007	2006	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	1,446,893	1,417,978	1,361,122	1,200,153	1,088,171
Total liabilities	(134,711)	(136,795)	(128,615)	(99,983)	(84,133)
Minority interests	(15,788)	(13,875)	(10,800)	(7,545)	(12,122)
	1,296,394	1,267,308	1,221,707	1,092,625	991,916

Note:

- (i) The amounts for the year ended 30 April 2006, the eight months ended 31 December 2006 and the years ended 31 December 2007 and 31 December 2008 were extracted from the audited financial statements of the Group, adjusted where appropriate as a result of adopting the accounting policy in respect of revenue recognition as mentioned in note 2.3 to the financial statements, and conform with the current year's presentation and accounting treatment.