九洲發展有限公司

JIUZHOU DEVELOPMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 908

Annual Report

2010

Contents

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 REGISTRAR

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRAR

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 2010. The consolidated revenue of the Group for the year was approximately HK$258,697,000 and the net profit attributable to owners of the Company was approximately HK$12,982,000, representing an increase of approximately 9% and a decrease of approximately 41% as compared with last year, respectively. Net profit attributable to owners of the Company for the year included an impairment loss provision of HK$30,000,000 in relation to the earnest money paid in previous year for the proposed acquisition of 80% of the total issued share capital in a Hong Kong company. Without taking into account such non-recurring item, the Group's net profit attributable to owners of the Company for the year would amount to approximately HK$42,982,000, representing an increase of approximately 94% as compared with last year. Basic earnings per share for the year were HK1.16 cents. The board of directors (the "Board") of the Company does not recommend the payment of any final dividend.

In 2010, impact of the global crises faded away and macro economy gradually improved. The PRC economy also steadily recovered and demonstrated a rapid development. Tourism industry in the PRC possessed a comparatively stronger momentum; traveling and business consumption also retained vigorous growth. However, as the overall consumer products price was high compared with last year, pressure and challenges were on the operating cost of enterprises. During the year, operating business of the Group recorded an overall increase and we will continue to fight against the challenges and capture upcoming opportunities.

Leveraging on the strong financial position and high cash level of the Group, the Board 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 returns to shareholders. I, on behalf of the Board, would like to express my sinecure gratitude to the independent non-executive directors, namely 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, 30 March 2011

Management Discussion and Analysis

BUSINESS REVIEW

1. Marine passenger transportation and port business

For marine passenger transportation and port business, as the passenger volume of Hong Kong ferry services recorded recovering growth as the global financial crisis fading away and the international economy gradually recovering, the Zhuhai — Hong Kong Airport line and Zhuhai — Shekou line both recorded satisfying increases. During the year, the passenger volume of ferry services running between Zhuhai and Hong Kong (including the Hong Kong Airport line), and Zhuhai and Shekou operated by Zhuhai High — speed Passenger Ferry Co., Ltd (the "Ferry Company") was approximately 1,704,000 and 495,000, respectively; representing an increase of 4.5% and 8% as compared with the same period of last year. The share of passenger volume between Guangdong and Hong Kong as operated by the Ferry Company remained at approximately 41%. On the other hand, fuel price, as one of our major costs, significantly increased by over 25% as compared with last year; resulting in an unavoidable increase in operating cost which partially offset the increase in sales income. As a result, the Ferry Company's operating profits for the period only increased by 6% over the same period of last year. In respect of the port business, 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 an increase of approximately 16% as compared with last year, which was mainly due to an increase in number of passenger trips of the two main ferry lines running between Zhuhai and Hong Kong, and Zhuhai and Shekou of approximately 5% and 7% respectively as compared with last year.

2. Hotel Business

During the year, the average occupancy rate of our hotel was approximately 59%, increased by approximately 9% as compared with last year. The income from room and catering services rendered by our resort hotel during the year increased by 17% and 5% respectively as compared with last year. Such increase was mainly due to the improving economy, coupled with the recent upgrades to certain of our hotel rooms and catering facilities; whereas improvement in the operating management of our hotel also brought increase in hotel room income and catering services income. In addition, both the 8th China International Aviation and Aerospace Exhibition held in Zhuhai during the year and sales of mooncakes were successful, which in turns significantly improved the overall operating results as compared with last year.

3. The New Yuanming Palace and the Fantasy Water World

Due to gradual improvement of the tourism industry during the year and the management enhanced market expansion through various marketing approaches, the number of visitors raised. Ticketing and catering operation income slightly increased as compared with last year. During the year, number of visitors of the New Yuanming Palace was approximately 701,000, representing an increase of 6% as compared with last year. Fantasy Water World mainly operated for six months from May to October each year. For the remaining months, it only opened partially for the operation of winter event due to low temperature. During the year, the number of visitors of the Fantasy Water World was approximately 266,000, more or less the same as compared with last year.

4. Others

The Group has always adhered to the principle of prudent wealth management and invested its surplus liquidity in low risk and stable investments. During the year, as the financial investment market of the PRC grew, investment income of the Company increased over HK$13 million as compared with last year. On the other hand, as Renminbi recorded mild appreciation against Hong Kong dollar during the year, an exchange gain of HK$3.5 million was recorded. No significant exchange gain was recorded in the previous year as the exchange rate between Renminbi ("RMB") and Hong Kong dollars remained steady.

PROSPECTS

Although the tourism industry is steadily recovering, competition remains fierce; the changing environment and rapid development of competitors both bring threats and challenges to the Group. In order to face the ever changing market, the Group will continue to capitalize resources within the tourism industry, boost the efficiency of retained assets, enhance investment returns, actively expand new business or projects and corporation development, diversify the earnings and profit pattern and enhance its sustainable development ability.

On 27 August 2008, the Company entered into a letter of intent (as amended and supplemented by a supplementary letter of intent 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 PRC. The enterprise primarily engages 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, an earnest money in the amount of HK$30,000,000 (equivalent to RMB26,000,000) was paid by the Company to the Possible Vendor 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 till its expiry. The payment of earnest money was secured by, among others, certain pledge provided by the Possible Vendor over 80% of the 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 mutual satisfied agreement with the Possible Vendor on the terms of the proposed acquisition after undertaking detailed due diligence review on the Target Company, the Company decided not to proceed with the proposed acquisition and the Letter of Intent was terminated accordingly. However, the Possible Vendor refused to refund the earnest money to the Company and unilaterally purported to revoke and cancel the Share Charge.

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 ("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 (iv) a declaration that the Possible Vendor be entitled to forfeit the earnest money.

Management Discussion and Analysis

In the opinion of the directors of the Company, 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 refusal to refund the earnest money. The directors of the Company also considered that the Company has valid grounds to defend and counter claim against the Possible Vendor.

Based on the most recent evaluation on Possible Vendor's financial power and serious doubt on its ability to repay; even if the Group won the aforesaid legal proceedings in the future, there are numerous uncertainties regarding the execution of collecting the earnest money. In addition, from the latest financial and other information of the Target Company (included as a collateral under the pledge agreement), the Company learns that the financial condition of the Target Company is worsening. According to the consistent and conservative attitude towards wealth management of the Company, the directors of the Company have decided to make an impairment loss provision for the year in respect of the prepaid earnest money.

Despite the Company has made an impairment loss provision, it will continue to contest the relevant legal proceedings, and seek buyer with financial potential for the Target Company at its best endeavor in order to recover the earnest money paid.

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).

During the year ended 31 December 2009, the Group has paid the consideration in full to Land Agreement.

Pursuant to the Land Agreement, the acquisition of the Hotel Land is conditional upon the completion of a debt restructuring agreement. The debt restructuring agreement was completed on 25 September 2009. 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 process.

As disclosed in the 2009 annual report of the Company, on 5 August 2006, (1) a debt restructuring agreement was entered between, among other parties, Zhu Kuan Group Company Limited ("Zhu Kuan Macau"), Zhu Kuan (Hong Kong) Company Limited ("Zhu Kuan HK"), the liquidators of Zhu Kuan Macau and 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 Board is advised that, 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. In addition, the parties to the Debt Restructuring Agreement had agreed several times to extend the longstop dates of the Debt Restructuring Agreement from 16 April 2008 to 25 September 2009 due to additional time required to fulfill the condition precedents of the Debt Restructuring Agreement.

As the Company acknowledged, 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, proceedings of liquidations on PIV in Hong Kong has been put on permanent stay during the year, PIV is still in provisional liquidation in the British Virgin Islands, and Longway's action to perfect the share charge over 337 million shares (the "PIV Charged 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 Co., Ltd ("Zhuhai Jiuzhou Tourism Group") and Longway entered into a framework agreement (the "Framework Agreement"), transactions completed under therein 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 the PIV Charged 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, and the entering into the Framework amongst Zhu Kuan Macau, Zhuhai Jiuzhou Tourism Group and Longway, the directors of the Company are in the opinion that the uncertainty arising from the winding-up petitions/orders and/or any potential changes in the registered holders of the PIV Charged Shares were released and it was 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 2010, the Group has no outstanding banking borrowings (31 December 2009: Nil). The Group's cash and bank balances and short term bank deposits as at 31 December 2010 amounted to approximately HK$314.2 million (2009: HK$269.3 million), of which approximately HK$282.1 million (2009: HK$254.2 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$270.4 million as at 31 December 2010 (2009: HK$186.3 million), of which approximately HK$266.7 million (2009: HK$176.5 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 2010 and 2009 respectively, and based on the total bank borrowings in relation to shareholders' fund, the Group's gearing ratio as at 31 December 2010 and 2009 respectively was zero.

NUMBER AND REMUNERATION OF EMPLOYEES

At the year end, the Group had approximately 1,557 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 2010, the Group had no significant contingent liabilities.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2010, 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.

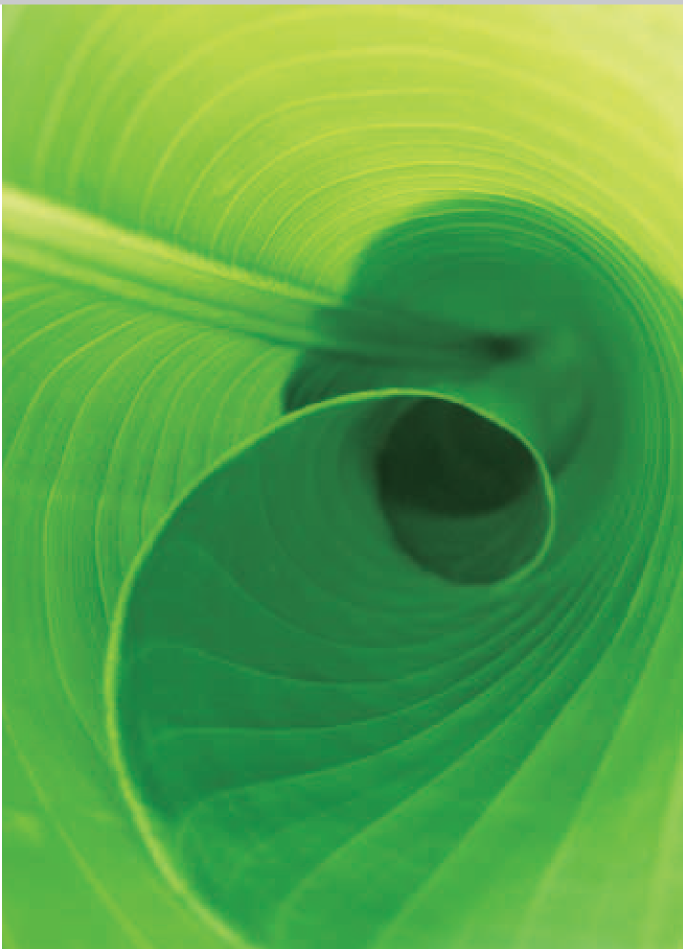
As the assets and liabilities of the Group are mostly denominated in RMB, the management considers that no significant exposure to foreign exchange exists.

CAPITAL STRUCTURE

As at 31 December 2010, the number of issued ordinary shares was 1,118,600,000 shares in aggregate and the equity attributable to owners of the Company was approximately HK$1,349 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 45, 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 48, is the deputy chairman of the Board and member of Remuneration Committee of the Company. Mr. Gu is also currently the 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.

EXECUTIVE DIRECTORS

(continued)

Mr. Huang Xin, aged 45, 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 60, 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 61, has been appointed as an executive director of the Company in July 2009. Mr. Mo is currently a consultant of ZJTGL. He 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 46, 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 45, 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 78, 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.

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

(continued)

Mr. Hui Chiu Chung J.P., aged 63, 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 Holdings Hong Kong 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), Frasers Property (China) Limited (Stock Code: 535) and Hong Kong Exchanges and Clearing Limited (Stock Code: 388) whose shares are listed on The Stock Exchange of Hong Kong Limited.

Mr. Chu Yu Lin, David, SBS, J.P., aged 67, 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 (Stock Code: 232) whose shares are listed on The Stock Exchange of Hong Kong Limited.

Mr. Albert Ho, aged 53, 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 (Stock Code: 666), a listed company in Hong Kong.

Directors and Senior Management

SENIOR MANAGEMENT

Ms. Fan Ning, aged 42, 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 nearly twenty years' experience in finance investment, project development and corporate management.

Mr. Lu Tong, aged 43, 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 nearly twenty years' experience in company law, finance investment, project finance and corporate management.

Tang Jin, aged 37, 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 46, 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 over 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.

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 2010.

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 2010 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 39 to 121.

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2010.

SUMMARY FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interests of the Group for the eight months ended 31 December 2006 and the years ended 31 December 2007, 2008, 2009 and 2010, as extracted from the published audited financial statements is set out on page 122. 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 laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

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

As at 31 December 2010, the Company's reserves available for distribution, calculated in accordance with the laws of Bermuda, amounted to HK$3,954,000. In addition, the Company's contributed surplus, amounting to HK$628,440,000 as at 31 December 2010, 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 2010 is distributable in the form of fully-paid bonus shares.

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 *(Chairman)*
Mr. Gu Zengcai *(Deputy Chairman)*
Mr. Huang Xin *(Chief Executive Officer)*
Mr. Mo Nenglin
Mr. Lan Zhongdang
Mr. Ye Yuhong
Mr. Li Wenjun

Non-executive directors:

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

* Independent non-executive directors

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. Huang Xin, Mr. Liang Han, Mr. Hui Chiu Chung and Mr. Chu Yu Lin, David, directors of the Company, shall retire at the forthcoming annual general meeting and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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.

DISCLOSURES OF DIRECTORS' UPDATED INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information of the directors of the Company are as follows:

- Mr. Mo Nenglin, an executive director, resigned as the deputy general manager, executive deputy general manager and director of Zhuhai Jiuzhou Tourism Group Co., Ltd. ("ZJTGCL") and appointed as a consultant of ZJTGCL both with effect from 1 January 2010.

- Mr. Gu Zengcai, an executive director, resigned as the director of ZJTGCL with effect from 31 August 2010.

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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2010, 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 were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO or 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. Chu Yu Lin, David	2,700,000
Mr. Albert Ho	250,000
	4,410,000

Save as disclosed above, as at 31 December 2010, 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 SFO or 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

As at 31 December 2010, 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 of shareholders	**Number of ordinary shares directly and beneficially held**	**Percentage of the Company's issued ordinary shares**
Zhuhai Jiuzhou Tourism Group Co., Ltd.	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 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 2010, 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 recorded an interest or short position in the shares or underlying shares of the Company in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had certain continuing connected transactions as defined under the Listing Rules, as detailed in notes 37(a) and (b) to the financial statements. Save for those disclosed below, the Group obtained waivers for other continuing connected transactions.

(i) On 18 March 2011, Zhuhai Jiuzhou Port Passenger Traffic Services Company Limited ("Jiuzhou Port Company", a non-wholly owned subsidiary of the Company) and Zhuhai High-speed Passenger Ferry Company Limited ("Ferry Company", a jointly-controlled entity of the Company) entered into three agreements on similar terms (collectively, the "2010 AM Fee Agreements") for Jiuzhou Port Company acting as agent in the sale of ferry tickets to passengers and for the provision by Jiuzhou Port Company of management services for the berthing facilities at the Jiuzhou Port in Zhuhai to Ferry Company for the year ended 31 December 2010. As (a) Jiuzhou Port Company is indirectly owned by the Company and Zhuhai Jiuzhou Tourism Group Company Limited ("Zhuhai Jiuzhou Tourism Group") as to 90% and 10% respectively; (b) Ferry Company is indirectly owned by the Company and Zhuhai Jiuzhou Tourism Group as to 49% and 51% respectively; and (c) Zhuhai Jiuzhou Tourism Group is a substantial shareholder of the Company, both Jiuzhou Port Company and Ferry Company are connected persons of the Company under the Listing Rules. Accordingly, the 2010 AM Fee Agreements constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Under the 2010 AM Fee Agreements, Jiuzhou Port Company was entitled to receive agency cum management fees from Ferry Company calculated on the basis of 23.5% of the gross proceeds from the ferry tickets sold after deducting certain fees and expenses to Hong Kong International Airport Ferry Terminal Services Ltd, which is an independent third party. Ferry Company was required to pay the agency cum management fees in arrears and on a monthly basis under the 2010 AM Fee Agreements.

(ii) Under a renewed Supply Agreement dated 17 November 2008, China Marine Bunker Supply Company Jiuzhou Branch, a company wholly owned by Zhuhai Jiuzhou Tourism Group (and therefore is a connected person of the Company under the Listing Rules), has agreed to supply Zhuhai Holiday Resort Hotel Company Limited ("ZHRHC") diesel fuel on an on-going basis for a term of three years commencing from 1 January 2009. The purchase price payable by ZHRHC would be the same as the price level applicable to the group companies of Zhuhai Jiuzhou Tourism Group and shall be paid by ZHRHC to China Marine Bunker Supply Company Jiuzhou Branch on a monthly basis in arrears.

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.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements (except as noted below) governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions as set out in notes 37(a)(ii) and (iv) to the financial statements in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules, which qualified for the continuing connected transaction as detailed in note 37(a)(ii) for the year ended 31 December 2010 ("Agency Commission"). Based on the Company's announcement dated 18 March 2011, no approval was made by the board of directors for the Agency Commission and there was no announcement to set and disclose the relevant pricing policies and annual cap of the Agency Commission prior to 18 March 2011. In addition, an agreement for the Agency Commission was not entered into during the year ended 31 December 2010, and therefore the Company has no written agreement set out the relevant pricing policies for the Agency Commission prior to 18 March 2011. As such, the auditors of the Company cannot confirm whether (i) the Agency Commission was properly approved by the board of directors prior to 18 March 2011; (ii) the Agency Commission has not exceeded the annual cap set for the year ended 31 December 2010; (iii) the Agency Commission was entered into, in all material respects, in accordance with the relevant agreements governing the Agency Commission during the year ended 31 December 2010; and (iv) the Agency Commission was in all material respects in accordance with the written pricing policies of the Company during the year ended 31 December 2010.

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
30 March 2011

The board of directors (the "Board") of the Company is pleased to present this Corporate Governance Report in the annual report for the year ended 31 December 2010 of the Company and its subsidiaries (the "Group").

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 is explained as follows:

CORPORATE GOVERNANCE PRACTICES

The Group strives to maintain high standards of corporate governance to enhance shareholder value and safeguard shareholder interests. The Group's corporate governance principles emphasize the importance of 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 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 as set out in the CG Code in all other respects except for the following:

(1) only 2 regular board meetings were held within the second and third quarters of 2010 since the Company does not announce its quarterly results and the Board also had held 5 Board meetings during 2010; and

(2) the Company's directors including non-executive director and independent non-executive director, who may not have fixed term of office, are subject to retirement by rotation and re-election in accordance with the Company's Bye-laws.

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.

Corporate Governance Report

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 respective terms of reference.

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 currently comprises 11 members, consisting of 7 executive directors, 1 non-executive director and 3 independent non-executive directors.

The Board of the Company comprises the following directors:

Executive directors:

Mr. Chen Yuanhe *(Chairman)*
Mr. Gu Zengcai *(Deputy Chairman)*
Mr. Huang Xin *(Chief Executive Officer)*
Mr. Mo Nenglin
Mr. Lan Zhongdang
Mr. Ye Yuhong
Mr. Li Wenjun

Non-executive director:

Mr. Liang Han

Independent non-executive directors:

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

BOARD OF DIRECTORS *(Continued)*

Board composition *(Continued)*

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 12 to 16.

During the year ended 31 December 2010, 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.

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.

BOARD OF DIRECTORS *(Continued)*

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 directors including non-executive director and independent non-executive directors may not appointed for a specific term.

Although the directors are 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 passed 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 reviews 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. Huang Xin, Mr. Liang Han, Mr Hui Chiu Chung and Mr Chu Yu Lin, David 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 retiring directors standing for re-election.

Training induction 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.

BOARD OF DIRECTORS *(Continued)*

Training induction 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.

Number of Meetings and Directors' attendance records

During the year ended 31 December 2010, 2 regular Board meetings were held within the second and third quarters of 2010 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 5 Board meetings during 2010.

BOARD OF DIRECTORS *(Continued)*

Board meetings *(Continued)*

Number of Meetings and Directors' attendance records *(Continued)*

The attendance records of each director at the Board meetings during the year ended 31 December 2010 are set out below:

Name of Directors	Attendance/ Number of Meetings
Executive Directors	
Mr. Chen Yuanhe *(Chairman)*	4/5
Mr. Gu Zengcai *(Deputy Chairman)*	5/5
Mr. Huang Xin *(Chief Executive Officer)*	5/5
Mr. Mo Nenglin	4/5
Mr. Lan Zhongdang	4/5
Mr. Ye Yuhong	4/5
Mr. Li Wenjun	4/5
Non-executive Director	
Mr. Liang Han	4/5
Independent Non-executive Directors	
Mr. Hui Chiu Chung	4/5
Mr. Chu Yu Lin, David	4/5
Mr. Albert Ho	4/5

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 2010.

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 2010.

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.

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 2010 are set out in note 7 to the financial statements.

Remuneration committee

The Remuneration Committee comprises 5 members, namely 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;

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Remuneration committee *(Continued)*

- 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.

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 2 meetings during the year ended 31 December 2010 and the attendance records are set out below:

Name of Directors	Attendance/ Number of Meetings
Independent Non-executive Directors	
Mr. Hui Chiu Chung *(Chairman)*	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	0/2

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 2010.

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 members, 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 directors (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.

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 2010, annual results and annual report for the year ended 31 December 2010, 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 2 meetings during the year ended 31 December 2010 and the attendance records are set out below:

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

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 37 to 38.

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	990,000
Non-audit services	
— Taxation service	19,200
Total	**1,009,200**

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.

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 respectively.

ERNST & YOUNG
安 永

To the shareholders of Jiuzhou Development Company Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Jiuzhou Development Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 39 to 121, which comprise the consolidated and company statements of financial position as at 31 December 2010, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

AUDITORS' RESPONSIBILITY *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, 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
30 March 2011

Consolidated Income Statement

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	5	**258,697**	236,829
Cost of sales		**(197,135)**	(182,271)
Gross profit		**61,562**	54,558
Other income and gains, net	5	**42,032**	26,010
Selling and distribution costs		**(5,137)**	(4,711)
Administrative expenses		**(69,180)**	(66,017)
Other operating expenses, net		**(2,303)**	(1,240)
Impairment of a non-current deposit	21(a)(ii)	**(30,000)**	—
Share of profits and losses of a jointly-controlled entity		**26,830**	25,272
PROFIT BEFORE TAX	6	**23,804**	33,872
Income tax expense	8	**(8,476)**	(9,790)
PROFIT FOR THE YEAR		**15,328**	24,082
Attributable to:			
Owners of the Company	9	**12,982**	22,169
Non-controlling interests		**2,346**	1,913
		15,328	24,082
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	11		
Basic		**HK1.16 cents**	HK1.98 cents
Diluted		**HK1.16 cents**	HK1.98 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	2010 *HK$'000*	2009 *HK$'000*
PROFIT FOR THE YEAR	15,328	24,082
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Available-for-sale investments:		
Change in fair value	(700)	4,800
Asset revaluation:		
Surplus on property revaluation	11,774	2,823
Deferred tax effect	(2,944)	(706)
	8,830	2,117
Share of other comprehensive income of a jointly-controlled entity:		
Changes in exchange reserve	5,171	—
Exchange differences on translation of foreign operations	27,131	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	40,432	6,917
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	55,760	30,999
ATTRIBUTABLE TO:		
Owners of the Company	52,838	29,086
Non-controlling interests	2,922	1,913
	55,760	30,999

Consolidated Statement of Financial Position

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	431,813	416,475
Prepaid land lease payments	13	174,217	179,850
Rights to use port facilities	14	19,726	19,696
Intangible asset	15	6,474	6,247
Investment in a jointly-controlled entity	18	141,588	109,587
Investment in an associate	19	—	—
Available-for-sale investments	20	10,634	11,309
Prepayments and deposits	21(a)	107,501	137,660
Total non-current assets		891,953	880,824
CURRENT ASSETS			
Securities measured at fair value through profit or loss	22	270,383	186,347
Inventories	23	3,196	2,920
Trade receivables	24	37,986	23,465
Prepayments, deposits and other receivables	21(b)	13,076	66,436
Due from a jointly-controlled entity	25	1,490	3,245
Due from related companies	26	964	14,377
Restricted bank balance	27	823	—
Cash and cash equivalents	27	314,228	269,279
Total current assets		642,146	566,069
CURRENT LIABILITIES			
Trade payables	28	21,729	19,678
Accrued liabilities and other payables		93,576	81,312
Construction payables	29	14,334	4,593
Tax payable		10,325	11,488
Due to related companies	26	5,908	252
Total current liabilities		145,872	117,323
NET CURRENT ASSETS		496,274	448,746
TOTAL ASSETS LESS CURRENT LIABILITIES		1,388,227	1,329,570
NON-CURRENT LIABILITIES			
Deferred tax liabilities	30	22,215	17,388
Net assets		1,366,012	1,312,182
EQUITY			
Equity attributable to owners of the Company			
Issued capital	31	111,860	111,860
Reserves	32(a)	1,237,372	1,184,534
		1,349,232	1,296,394
Non-controlling interests		16,780	15,788
Total equity		1,366,012	1,312,182

Chen Yuanhe
Director

Gu Zengcai
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Attributable to owners 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	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 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
Profit for the year	–	–	–	–	–	–	–	–	22,169	22,169	1,913	24,082
Other comprehensive income for the year												
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	–	4,800	–	–	–	4,800	–	4,800
Surplus on property revaluation, net of tax	–	–	–	–	2,117	–	–	–	–	2,117	–	2,117
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 and 1 January 2010	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
Profit for the year	–	–	–	–	–	–	–	–	12,982	12,982	2,346	15,328
Other comprehensive income for the year												
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	–	(700)	–	–	–	(700)	–	(700)
Surplus on property revaluation, net of tax	–	–	–	–	8,830	–	–	–	–	8,830	–	8,830
Share of changes in exchange reserve of a jointly-controlled entity	–	–	–	–	–	–	–	5,171	–	5,171	–	5,171
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	26,555	–	26,555	576	27,131
Total comprehensive income for the year	–	–	–	–	8,830	(700)	–	31,726	12,982	52,838	2,922	55,760
Dividends paid to a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	(1,930)	(1,930)
Transfer to statutory reserve funds	–	–	–	–	–	–	2,999	–	(2,999)	–	–	–
Share of reserve movement of a jointly-controlled entity	–	–	–	–	–	–	6,266	–	(6,266)	–	–	–
At 31 December 2010	111,860	459,870	446,355	(200,573)	41,299	4,100	108,457	180,280	197,584	1,349,232	16,780	1,366,012

* These reserve accounts comprise the consolidated reserves of HK$1,237,372,000 (2009: HK$1,184,534,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**23,804**	33,872
Adjustments for:			
Share of profits and losses of a jointly-controlled entity		**(26,830)**	(25,272)
Interest income		**(1,240)**	(3,262)
Dividend income from listed equity investments		**(667)**	(131)
Dividend income from unlisted investment funds		**(14,444)**	—
Depreciation	*12*	**31,520**	29,677
Amortisation of prepaid land lease payments	*13*	**7,313**	7,311
Amortisation of rights to use port facilities	*14*	**664**	683
Loss on disposal and write-off of items of property, plant and equipment		**210**	188
Net fair value gains on securities measured at fair value through profit or loss		**(2,889)**	(6,330)
Impairment of trade receivables, net	*24*	**639**	476
Impairment of a non-current deposit	*21(a)(ii)*	**30,000**	—
		48,080	37,212
Increase in securities measured at fair value through profit or loss		**(81,147)**	(176,340)
Decrease/(increase) in inventories		**(276)**	286
Decrease/(increase) in trade receivables		**(15,160)**	11,681
Decrease/(increase) in prepayments, deposits and other receivables		**53,360**	(51,259)
Decrease/(increase) in an amount due from a jointly-controlled entity		**1,755**	(316)
Increase in trade payables		**2,051**	1,486
Increase/(decrease) in accrued liabilities and other payables		**12,264**	(3,779)
Increase/(decrease) in construction payables		**9,741**	(856)
Movements in balances with related companies		**19,069**	(15,331)
Cash generated from/(used in) operations		**49,737**	(197,216)
Overseas taxes paid		**(7,756)**	(8,477)
Dividend received		**15,111**	131
Net cash flows from/(used in) operating activities		**57,092**	(205,562)

Consolidated Statement of Cash Flows *(Continued)*

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,240**	3,262
Dividend received from a jointly-controlled entity		**—**	26,078
Purchases of items of property, plant and equipment		**(24,444)**	(29,632)
Proceeds from disposal of items of property, plant and equipment		**4,304**	10,886
Increase in non-current prepayments and deposits		**—**	(12,928)
Increase in restricted bank balance		**(823)**	—
Net cash flows used in investing activities		**(19,723)**	(2,334)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**37,369**	(207,896)
Cash and cash equivalents at beginning of year		**269,279**	477,175
Effect of foreign exchange rate changes, net		**7,580**	—
CASH AND CASH EQUIVALENTS AT END OF YEAR		**314,228**	269,279
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*27*	**279,548**	269,279
Time deposits with original maturity within three months when acquired	*27*	**34,680**	—
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**314,228**	269,279

Statement of Financial Position

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**225**	495
Investments in subsidiaries	*17*	**1,087,564**	1,111,397
Available-for-sale investment	*20*	**9,900**	10,600
Deposit	*21(a)*	**—**	30,000
Total non-current assets		**1,097,689**	1,152,492
CURRENT ASSETS			
Securities measured at fair value through profit or loss	*22*	**3,708**	9,815
Deposits and other receivables	*21(b)*	**1,008**	1,835
Cash and cash equivalents	*27*	**113,617**	52,654
Total current assets		**118,333**	64,304
CURRENT LIABILITIES			
Accrued liabilities and other payables		**7,798**	8,188
NET CURRENT ASSETS		**110,535**	56,116
Net assets		**1,208,224**	1,208,608
EQUITY			
Issued capital	*31*	**111,860**	111,860
Reserves	*32(b)*	**1,096,364**	1,096,748
Total equity		**1,208,224**	1,208,608

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. ("Zhuhai Jiuzhou Tourism Group"), a substantial shareholder of the Company. Zhuhai Jiuzhou Tourism Group is also (a) the non-controlling 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 then considered 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 liquidation 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 liquidation 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 and both Zhu Kuan Macau and Zhu Kuan (HK) have been released from winding-up petitions. On 29 November 2010, the High Court granted a permanent stay on the proceedings of provisional liquidation on PIV.

On 15 April 2010, Zhu Kuan Macau, Zhuhai Jiuzhou Tourism Group and Longway entered into a framework agreement (the "Framework Agreement"). 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 the previous loan and related security documents made between the parties. 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. 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.

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 (the "HKICPA"), 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

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The financial statements of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in consolidated income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to consolidated income statement or retained profits, as appropriate.

2.2 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

Basis of consolidation prior to 1 January 2010

All the above-mentioned requirements for consolidation from 1 January 2010 have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the Company, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the Company's shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

The adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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 Amendments	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2] Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperflation and Removal of Fixed Dates for First-time Adoptors* [4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets* [4]
HKFRS 9	*Financial Instruments* [6]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[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 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;

(f) rental income, on a time proportion basis over the lease terms;

(g) dividend income, when the shareholders' right to receive payment has been established, and

(h) from the sale 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 investments 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Joint ventures *(Continued)*

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 Measurement*, 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.

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 investment 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 investment 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 investment 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in income statement as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Business combinations and goodwill *(Continued)*

Business combinations from 1 January 2010 *(Continued)*

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.

Business combinations prior to 1 January 2010 but after 1 May 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

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.

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;

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Related parties *(Continued)*

(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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

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

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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Intangible assets (other than goodwill)

Intangible assets of the Group represented golf club membership. Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of golf club membership 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.

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 investments, 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:

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Investments and other financial assets *(Continued)*

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.

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 by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in finance costs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Investments and other financial assets *(Continued)*

Available-for-sale financial investments

Available-for-sale financial 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 market conditions.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Impairment of financial assets *(Continued)*

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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Impairment of financial assets *(Continued)*

Available-for-sale investments *(Continued)*

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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Derecognition of financial assets *(Continued)*

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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

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.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised 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, an associate and 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Income tax *(Continued)*

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, an associate and 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.

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 benefit 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Employee benefits *(Continued)*

Pension schemes *(Continued)*

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.

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 dollar. 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.

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.

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 dates 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 2010 was HK$321,769,000 (2009: HK$315,014,000) (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.

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 2010 and 2009.

	Hotel		Tourist attraction		Provision of port facilities and ticketing services		Corporate and others		Consolidated	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Segment revenue:										
Sales to external customers	144,304	131,578	57,162	55,916	57,231	49,335	–	–	258,697	236,829
Segment results	714	(1,107)	2,079	(5,776)	28,812	22,183	(35,871)	(9,962)	(4,266)	5,338
Interest income									1,240	3,262
Share of profits and losses of a jointly-controlled entity	–	–	–	–	26,830	25,272	–	–	26,830	25,272
Profit before tax									23,804	33,872
Income tax expense									(8,476)	(9,790)
Profit for the year									15,328	24,082
Assets and liabilities:										
Segment assets	446,352	357,475	407,236	435,677	130,431	157,415	407,528	372,362	1,391,547	1,322,929
Investment in a jointly-controlled entity	–	–	–	–	141,588	109,587	–	–	141,588	109,587
Unallocated assets									964	14,377
Total assets									1,534,099	1,446,893
Segment liabilities	72,824	43,811	14,978	14,744	36,761	24,907	10,984	22,373	135,547	105,835
Unallocated liabilities									32,540	28,876
Total liabilities									168,087	134,711
Other segment information:										
Depreciation and amortisation	15,728	15,370	18,218	18,776	5,220	3,179	331	346	39,497	37,671
Capital expenditure	21,522	12,872	422	3,958	2,442	12,786	58	16	24,444	29,632
Net fair value gains on securities measured at fair value through profit or loss	–	–	–	–	–	–	(2,889)	(6,330)	(2,889)	(6,330)
Impairment of trade receivables, net	639	476	–	–	–	–	–	–	639	476
Impairment of a non-current deposit	–	–	–	–	–	–	30,000	–	30,000	–

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:

	2010 **HK$'000**	2009 *HK$'000*
Revenue		
Sale of goods and provision of services	**258,697**	236,829
Other income and gains, net		
Interest income	**1,240**	3,262
Net fair value gains on securities measured at fair value through profit or loss	**2,889**	6,330
Gains on disposals of securities measured at fair value through profit or loss	**6,587**	4,531
Dividend income from listed equity investments	**667**	131
Dividend income from unlisted investment funds	**14,444**	—
Gross rental income	**10,086**	10,038
Foreign exchange differences, net	**3,450**	238
Others	**2,669**	1,480
	42,032	26,010
	300,729	262,839

6. PROFIT BEFORE TAX

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

	2010 HK$'000	2009 HK$'000
Cost of inventories sold	39,858	36,349
Cost of services provided*	158,145	145,922
Depreciation	31,520	29,677
Amortisation of prepaid land lease payments	7,313	7,311
Amortisation of rights to use port facilities	664	683
Minimum lease payments under operating leases in respect of land and buildings	16,272	17,010
Auditors' remuneration	740	680
Employee benefit expenses (including directors' remuneration — *note 7*):		
Wages and salaries	72,933	64,447
Pension scheme contributions	5,414	5,282
	78,347	69,729
Loss on disposal and write-off of items of property, plant and equipment**	210	188
Net fair value gains on securities measured at fair value through profit or loss	(2,889)	(6,330)
Gains on disposals of securities measured at fair value through profit or loss	(6,587)	(4,531)
Impairment of trade receivables, net	639	476
Impairment of a non-current deposit	30,000	—
Foreign exchange differences, net	(3,450)	(238)

* Cost of services provided includes an amount of HK$102,287,000 (2009: HK$93,895,000) 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.

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	
	2010	2009
	HK$'000	*HK$'000*
Fees		
— Independent non-executive directors	**600**	600
— Non-executive director	**200**	200
	800	800
Salaries, allowances and benefits in kind	**269**	289
Performance related bonuses	**148**	380
Pension scheme contributions	**76**	66
	493	735
	1,293	1,535

(a) Independent non-executive directors

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

	2010	2009
	HK$'000	*HK$'000*
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 (2009: Nil).

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

Directors' remuneration (Continued)

(b) Executive directors and a non-executive director

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2010					
Executive directors:					
Mr. Chen Yuanhe	—	—	—	—	—
Mr. Gu Zengcai	—	—	—	—	—
Mr. Huang Xin	—	269	148	76	493
Mr. Mo Nenglin	—	—	—	—	—
Mr. Lan Zhongdang	—	—	—	—	—
Mr. Ye Yuhong	—	—	—	—	—
Mr. Li Wenjun	—	—	—	—	—
	—	269	148	76	493
Non-executive director:					
Mr. Liang Han	200	—	—	—	200
	200	269	148	76	693

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

Directors' remuneration (Continued)

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

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Performance related bonuses *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
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

^ 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.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

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

Five highest paid employees

The five highest paid employees during the year included one (2009: one) director, details of whose remuneration are set out above. Details of the remuneration of the remaining four (2009: four) non-director, highest paid employees for the year are as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,778**	1,737
Pension scheme contributions	**114**	102
	1,892	1,839

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

	Number of employees	
	2010	2009
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.

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 (2009: Nil). The Group's subsidiaries located in Mainland China are subject to the PRC income tax rate of 22% (2009: 20%).

	Group	
	2010	2009
	HK$'000	*HK$'000*
Group:		
Current		
— Hong Kong	**—**	—
— PRC	**6,593**	5,570
Deferred *(note 30)*	**1,883**	4,220
Total tax charge for the year	**8,476**	9,790

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	
	2010	2009
	HK$'000	*HK$'000*
Profit before tax	**23,804**	33,872
Tax at the statutory tax rate	**9,709**	9,691
Lower tax rates for specific provinces or enacted by local authority	**(2,074)**	(2,413)
Profits and losses attributable to a jointly-controlled entity	**(5,902)**	(5,054)
Income not subject to tax	**(4,396)**	(253)
Expenses not deductible for tax	**8,252**	2,111
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries and a jointly-controlled entity	**1,883**	4,220
Tax losses not recognised	**1,004**	1,488
Tax charge at the Group's effective tax rate	**8,476**	9,790

8. INCOME TAX *(Continued)*

The share of tax attributable to a jointly-controlled entity amounting to approximately HK$6,662,000 (2009: HK$7,418,000) 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 (2009: 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 operate in Mainland China for the year was 22% (2009: 20%).

9. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2010 includes a profit of approximately HK$316,000 (2009: HK$388,000) 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 2010 (2009: Nil).

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately HK$12,982,000 (2009: HK$22,169,000) and the number of ordinary shares in issue during the year of 1,118,600,000 (2009: 1,118,600,000).

No adjustment has been made to the basic earnings per share presented for the years ended 31 December 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

12. PROPERTY, PLANT AND EQUIPMENT

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 2010				
At 31 December 2009 and 1 January 2010:				
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
At 1 January 2010, net of accumulated depreciation	38,421	315,014	63,040	416,475
Additions	14,612	—	9,832	24,444
Disposals and write-off	(4,170)	—	(344)	(4,514)
Surplus on revaluation	—	11,774	—	11,774
Depreciation provided during the year	—	(16,326)	(15,194)	(31,520)
Transfers	(34,743)	—	34,743	—
Exchange realignment	555	11,307	3,292	15,154
At 31 December 2010, net of accumulated depreciation	14,675	321,769	95,369	431,813
At 31 December 2010:				
Cost or valuation	14,675	321,769	286,543	622,987
Accumulated depreciation	—	—	(191,174)	(191,174)
Net carrying amount	14,675	321,769	95,369	431,813
Analysis of cost or valuation:				
At cost	14,675	—	286,543	301,218
At 31 December 2010 valuation	—	321,769	—	321,769
	14,675	321,769	286,543	622,987

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

	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 2009				
At 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)

Company

	Furniture, fixtures, equipment, motor vehicles and leasehold improvements HK$'000
31 December 2010	
At 31 December 2009 and 1 January 2010:	
Cost	2,662
Accumulated depreciation	(2,167)
Net carrying amount	495
At 1 January 2010, net of accumulated depreciation	495
Additions	29
Disposals	—
Depreciation provided during the year	(299)
At 31 December 2010, net of accumulated depreciation	225
At 31 December 2010:	
Cost	2,685
Accumulated depreciation	(2,460)
Net carrying amount	225
31 December 2009	
At 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

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 those leasehold buildings of the Group were revalued at HK$11,350,000 (2009: HK$8,770,000) as at 31 December 2010.

The carrying amounts of the remaining leasehold buildings were revalued individually by Castores on the depreciated replacement cost basis and such leasehold buildings of the Group were revalued at HK$310,419,000 as at 31 December 2010. In the opinion of the directors, the carrying amounts of those buildings of the Group as at 31 December 2009, which were revalued at HK$322,584,000 on the depreciated replacement cost basis by Castores as at 31 December 2008, approximated to their respective fair values.

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$204,127,000 (2009: HK$215,011,000).

13. PREPAID LAND LEASE PAYMENTS

	Group	
	2010 ***HK$'000***	2009 *HK$'000*
Carrying amount at beginning of year	**187,161**	194,472
Exchange realignment	**1,735**	—
Amortisation recognised during the year	**(7,313)**	(7,311)
Carrying amount at end of year	**181,583**	187,161
Current portion included in prepayments, deposits and other receivables under current assets	**(7,366)**	(7,311)
Non-current portion	**174,217**	179,850

The parcels of leasehold land are situated in Mainland China and are held under medium term leases.

14. RIGHTS TO USE PORT FACILITIES

	Group HK$'000
31 December 2010	
At 31 December 2009 and 1 January 2010:	
Cost	26,243
Accumulated amortisation	(6,547)
Net carrying amount	19,696
At 1 January 2010, net of accumulated amortisation	19,696
Amortisation recognised during the year	(664)
Exchange realignment	694
At 31 December 2010, net of accumulated amortisation	19,726
At 31 December 2010:	
Cost	27,198
Accumulated amortisation	(7,472)
Net carrying amount	19,726
31 December 2009	
At 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

The balance represents the amount of 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 *HK$'000*
31 December 2010	
At 31 December 2009 and 1 January 2010:	
Cost	26,086
Accumulated impairment	(19,839)
Net carrying amount	6,247
At 1 January 2010, net of accumulated impairment	6,247
Exchange realignment	227
At 31 December 2010	6,474
At 31 December 2010:	
Cost	27,035
Accumulated impairment	(20,561)
Net carrying amount	6,474
31 December 2009	
At 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

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 2010 was determined by the Group with reference to the open market basis assessed by Castores and approximated to its carrying value. In the opinion of the directors, the carrying amount of the Company's golf club membership at 31 December 2009 did 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 reserves as at 31 December 2010 and 2009, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001, was approximately HK$200,573,000.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010 ***HK$'000***	2009 *HK$'000*
Unlisted shares, at cost	**892,808**	892,808
Due from subsidiaries	**194,756**	218,589
	1,087,564	1,111,397

The amounts due from subsidiaries included in the investments 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. INVESTMENTS 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. *(note a)*	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. *(note a)*	PRC/Mainland China	RMB60,000,000	—	100	Management of a theme park
珠海水上娛樂有限公司 *(note a)*	PRC/Mainland China	RMB22,500,000	—	100	Management of an amusement park
Jiuzhou Port Company *(note b)*	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 another 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.

18. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2010	2009
	HK$'000	*HK$'000*
Share of net assets of an unlisted jointly-controlled entity	**141,588**	109,587

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

		Place of		**Percentage of**		
	Paid-up	**registration**	**Ownership**	**Voting**	**Profit**	**Principal**
Name	**capital**	**and operations**	**interest**	**power**	**sharing**	**activity**
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 another member firm of the Ernst & Young global network.

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

	2010	2009
	HK$'000	*HK$'000*
Share of the jointly-controlled entity's assets and liabilities		
Non-current assets	**96,642**	84,630
Current assets	**88,395**	78,525
Current liabilities	**(35,630)**	(45,749)
Non-current liabilities	**(7,819)**	(7,819)
Net assets	**141,588**	109,587

18. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY *(Continued)*

	2010	2009
	HK$'000	*HK$'000*
Share of the jointly-controlled entity's results		
Revenue	**160,081**	149,853
Other income	**3,759**	7,448
Total revenue	**163,840**	157,301
Total expenses	**(130,348)**	(124,611)
Income tax expense	**(6,662)**	(7,418)
Profit after tax	**26,830**	25,272

19. INVESTMENT IN AN ASSOCIATE

	Group	
	2010	2009
	HK$'000	*HK$'000*
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 another member firm of the Ernst & Young global network.

20. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong listed equity investment, at fair value	**9,900**	10,600	**9,900**	10,600
Unlisted equity investment, at cost	**734**	709	**—**	—
	10,634	11,309	**9,900**	10,600

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.

During the year ended 31 December 2010, there has been a decrease in the market value of the Hong Kong listed equity investment and the decrease of HK$700,000 was included in other comprehensive expense during the year.

During the year ended 31 December 2009, there was an increase in the market value of this Hong Kong listed equity investment and the increase of HK$4,800,000 has been included in other comprehensive income during that year.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

	Notes	**2010** ***HK$'000***	2009 *HK$'000*
Group			
Rental prepayments		**4,262**	4,421
Deposit and prepayment for the proposed acquisition of certain parcels of land	*(i)*	**103,239**	103,239
Deposit for the proposed acquisition of a subsidiary	*(ii)*	**—**	30,000
		107,501	137,660
Company			
Deposit for the proposed acquisition of a subsidiary	*(ii)*	**—**	30,000

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(Continued)

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

(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.

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) has been paid to Zhuhai Guoyuan and the entire consideration for the Hotel Land has been fully settled. Up to the date of approval of these financial statements, the Group was still in the process of obtaining the land use right certificate.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(Continued)

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

(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 (the "PRC Entity") 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 HK$30 million (equivalent to approximately RMB26 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. As a part of the legal proceedings, the High Court has promulgated an injunction order (the "Injunction") in January 2011 in favour of the Company in respect of obtaining the financial data of the Target Company and the PRC Entity and the company chops of the PRC Entity from the Vendor. However, the Vendor refused to act in accordance with the Injunction.

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. However, management was uncertain whether the Vendor will act in accordance with the judgement from the High Court considering the Vendor had refused to act in accordance with the Injunction. As such, the entire amount of the non-current deposit of HK$30 million was impaired as at 31 December 2010.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(Continued)

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

	2010 HK$'000	2009 HK$'000
Group:		
Prepayments	8,566	11,123
Deposits and other receivables	4,510	55,313
	13,076	66,436
Company:		
Deposits and other receivables	1,008	1,835

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 2010, the Group deposited funds in aggregate of HK$691,000 (2009: 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.

22. SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity investments in Hong Kong, at market value	**3,708**	9,815	**3,708**	9,815
Unlisted equity investments in the PRC, at fair value	**332**	611	**—**	—
Unlisted investment funds in the PRC, at fair value	**266,343**	175,921	**—**	—
	270,383	186,347	**3,708**	9,815

The above investments at 31 December 2010 and 2009 were classified as held for trading upon initial recognition.

23. INVENTORIES

	Group	
	2010	2009
	HK$'000	*HK$'000*
Food, beverages and souvenirs held for resale	**3,196**	2,920

24. TRADE RECEIVABLES

	Group	
	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**39,923**	24,716
Impairment	**(1,937)**	(1,251)
	37,986	23,465

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.

24. TRADE RECEIVABLES *(Continued)*

As at 31 December 2010, the Group had a receivable from the Zhuhai Municipal Government arising from the use of the Group's hotel facilities amounting to approximately HK$23,254,000 (2009: HK$12,793,000) which accounted for approximately 61% (2009: 55%) 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	
	2010	2009
	HK$'000	*HK$'000*
Current to 3 months	**23,521**	14,621
4 to 6 months	**1,749**	3,494
7 to 12 months	**5,523**	2,320
Over 12 months	**7,193**	3,030
	37,986	23,465

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

	Group	
	2010	2009
	HK$'000	HK$'000
At beginning of year	**1,251**	2,810
Impairment losses recognised	**639**	476
Amount written off as uncollectible	**(20)**	(2,035)
Exchange realignment	**67**	—
	1,937	1,251

Included in the above impairment allowance for trade receivables is an allowance for individually impaired trade receivables of approximately HK$1,937,000 (2009: HK$1,251,000) with a gross carrying amount before provision of approximately HK$2,453,000 (2009: HK$2,408,000). 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.

24. TRADE RECEIVABLES *(Continued)*

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Neither past due nor impaired	**36,701**	18,417
Less than 1 year past due	**769**	3,891
	37,470	22,308

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 2010 HK$'000	Maximum amount outstanding during the year HK$'000	At 31 December 2009 HK$'000
珠海度假村酒店管理有限公司 *	—	9,290	9,290
珠澳旅遊集散中心 *	857	4,923	4,923
珠海市九洲郵輪有限公司	107	145	145
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
	6,820		20,233
Impairment	(5,856)		(5,856)
	964		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 repayable on demand.

27. RESTRICTED BANK BALANCE AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances including restricted bank balance	**280,371**	269,279	**103,615**	52,654
Less: Restricted bank balance *(note a)*	**(823)**	—	**—**	—
	279,548	269,279	**103,615**	52,654
Time deposits with original maturity within three months	**34,680**	—	**10,002**	—
	314,228	269,279	**113,617**	52,654

Note (a): Pursuant to the requirement from Guangdong Provincial Supervisory Bureau of Tourism Quality (廣東省旅遊質量監督管理所), the Group has to maintain certain cash balance in a designated bank account for securing the quality of the tourist business operated by the Group. The bank balance can only be released upon the approval from Guangdong Provincial Supervisory Bureau of Tourism Quality and restricted to be used by the Group.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$282,093,000 (2009: HK$254,227,000). 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	
	2010	2009
	HK$'000	*HK$'000*
Current to 3 months	**18,410**	16,034
4 to 6 months	**170**	424
7 to 12 months	**—**	226
Over 12 months	**3,149**	2,994
	21,729	19,678

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 HK$'000	Withholding taxes HK$'000	Total HK$'000
31 December 2010			
At 31 December 2009 and 1 January 2010	10,675	6,713	17,388
Deferred tax charged to the income statement during the year *(note 8)*	—	1,883	1,883
Deferred tax charged to equity during the year	2,944	—	2,944
At 31 December 2010	13,619	8,596	22,215
31 December 2009			
At 1 January 2009	9,969	5,100	15,069
Deferred tax charged to the income statement during the year *(note 8)*	—	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

The Group has tax losses arising in Hong Kong of approximately HK$68,321,000 (2009: HK$62,236,000) 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.

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 for 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.

30. DEFERRED TAX LIABILITIES *(Continued)*

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$7,469,000 at 31 December 2010 (2009: HK$8,708,000).

31. SHARE CAPITAL

Shares	2010 HK$'000	2009 HK$'000
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 2010 and 2009.

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2010 and 2009 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.

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 (2009: HK$200,573,000) remains eliminated against consolidated reserves, as further explained in note 16 to the financial statements.

32. RESERVES (Continued)

(b) Company

	Share premium account HK$'000	Contributed surplus HK$'000	Available-for-sale investment revaluation reserve HK$'000 (note 20)	Retained profits HK$'000	Total HK$'000
At 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 and 1 January 2010	459,870	628,440	4,800	3,638	1,096,748
Total comprehensive income/(expense) for the year	—	—	(700)	316	(384)
At 31 December 2010	459,870	628,440	4,100	3,954	1,096,364

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.

33. SHARE OPTION SCHEME *(Continued)*

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.

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 of the Company 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 board of directors of the Company.

The exercise price of share options is determinable by the directors of the Company, 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.

33. SHARE OPTION SCHEME *(Continued)*

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

During the years ended 31 December 2010 and 2009, 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 2010 and 2009.

34. CONTINGENT LIABILITIES

At the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities (2009: 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.

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	
	2010	2009
	HK$'000	*HK$'000*
Within one year	**16,769**	15,547
In the second to fifth years, inclusive	**31,869**	36,059
After five years	**20,613**	22,055
	69,251	73,661

35. OPERATING LEASE ARRANGEMENTS (Continued)

(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	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**14,983**	13,526	**598**	763
In the second to fifth years inclusive	**36,421**	40,170	**—**	155
After five years	**237,802**	246,370	**—**	—
	289,206	300,066	**598**	918

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	
	2010	2009
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Acquisitions of items of property, plant and equipment	**9,866**	21,498

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	2010 HK$'000	2009 HK$'000
Zhuhai Holiday Resort Co., Ltd. (the "Resort Company")	(i)	Rental expenses	8,500	8,500
Ferry Company	(ii)	Port service fees	33,763	31,441
Zhuhai Jiuzhou Tourism Group	(iii)	Rental expenses	4,507	4,340
China Marine Bunker Supply Company Jiuzhou Branch	(iv)	Diesel fuel expenses	6,245	7,046

Notes:

(i) The rental expenses paid to the Resort Company, a subsidiary of Zhu Kuan Macau, a substantial shareholder of the Company, was calculated based on the terms of the tenancy agreement dated 31 March 1998 for the leasing of a site having an area of approximately 176,592 sq.m. together with all the buildings and facilities situated thereon (including, amongst others, certain villas, a recreational complex, a health centre, a shopping arcade and various recreational facilities) for a term of 44 years commencing from 31 March 1998 at an annual rental of HK$8.5 million.

(ii) Jiuzhou Port Company, a subsidiary of the Company, received agency commission fees and service fees ("Agency Commission") 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$585,000) for a period of 40 years starting from 28 March 2000;

(2) Under a renewed lease agreement dated 29 November 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$795,000) for a period of two years starting from 1 January 2010;

(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$857,000) for a period of five years starting from 1 January 2009;

(4) Under a renewed lease agreement dated 29 November 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$977,000) for a period of two years starting from 1 January 2010;

37. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *Notes: (Continued)*

(iii) (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$738,000) 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 HK32,000) for the same office premises for a period from 1 June 2009 to 31 December 2011. Such supplementary lease agreement was terminated on 31 October 2009 and superseded by another lease agreement as detailed below.

On 31 October 2009, Zhuhai Jiuzhou Tourism Group and 珠海九洲企業管理有限公司, a wholly-owned subsidiary of the Company, entered into another lease agreement for the same office premises at a monthly rental of approximately RMB41,000 (equivalent to approximately HK$47,000) for a period of two years starting from 1 January 2010.

(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.

(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).

37. RELATED PARTY TRANSACTIONS *(Continued)*

(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

	2010 *HK$'000*	2009 *HK$'000*
Short term employee benefits	**1,932**	2,053
Post-employment benefits	**179**	146
Total compensation paid to key management personnel	**2,111**	2,199

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 as further detailed in Report of the Directors under heading "Continuing connected transactions".

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:

2010

Financial assets	Group			
	Financial assets at fair value through profit or loss *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Available-for-sale investments	—	—	10,634	10,634
Securities measured at fair value through profit or loss	270,383	—	—	270,383
Trade receivables	—	37,986	—	37,986
Financial assets included in prepayments, deposits and other receivables	—	4,510	—	4,510
Due from a jointly-controlled entity	—	1,490	—	1,490
Due from related companies	—	964	—	964
Restricted bank balance	—	823	—	823
Cash and cash equivalents	—	314,228	—	314,228
	270,383	360,001	10,634	641,018

Financial liabilities	Financial liabilities at amortised cost *HK$'000*
Trade payables	21,729
Financial liabilities included in accrued liabilities and other payables	56,271
Construction payables	14,334
Due to related companies	5,908
	98,242

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

	Group			
Financial assets	Financial assets at fair value through profit or loss *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'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)*

2010

	Company			
Financial assets	Financial assets at fair value through profits or loss *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial asset *HK$'000*	Total *HK$'000*
Available-for-sale investment	—	—	9,900	9,900
Securities measured at fair value through profit or loss	3,708	—	—	3,708
Deposits and other receivables	—	1,008	—	1,008
Cash and cash equivalents	—	113,617	—	113,617
	3,708	114,625	9,900	128,233

Financial liabilities	Financial liabilities at amortised cost *HK$'000*
Financial liabilities included in accrued liabilities and other payables	5,530

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

	Company			
Financial assets	Financial assets at fair value through profits or loss *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial asset *HK$'000*	Total *HK$'000*
Available-for-sale investment	—	—	10,600	10,600
Securities measured at fair value through profit or loss	9,815	—	—	9,815
Deposits and other receivables	—	31,835	—	31,835
Cash and cash equivalents	—	52,654	—	52,654
	9,815	84,489	10,600	104,904

Financial liabilities	Financial liabilities at amortised cost *HK$'000*
Financial liabilities included in accrued liabilities and other payables	5,578

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).

Group	**Level 1** ***HK$'000***
As at 31 December 2010	
Available-for-sale securities:	
Equity investments	**9,900**
Securities measured at fair value through profit or loss	**270,383**
	280,283
As at 31 December 2009	
Available-for-sale securities:	
Equity investments	10,600
Securities measured at fair value through profit or loss	186,347
	196,947

39. FAIR VALUE HIERARCHY *(Continued)*

Company	Level 1 HK$'000
As at 31 December 2010	
Available-for-sale securities:	
Equity investments	**9,900**
Securities measured at fair value through profit or loss	**3,708**
	13,608
As at 31 December 2009	
Available-for-sale securities:	
Equity investments	10,600
Securities measured at fair value through profit or loss	9,815
	20,415

As at 31 December 2010 and 2009, the Group and the Company have no financial instruments measured at fair value under Level 2 and Level 3.

During the years ended 31 December 2010 and 2009, there have been 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, deposits 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 board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

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

(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 particulars, 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, deposits and other receivables, 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.

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

(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).

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
2010			
Trade payables	3,542	18,187	21,729
Financial liabilities included in accrued liabilities and other payables	48,065	8,206	56,271
Construction payables	4,817	9,517	14,334
Due to related companies	5,908	—	5,908
	62,332	35,910	98,242
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

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

(2) Liquidity risk *(Continued)*

Company

	On demand *HK$'000*
2010	
Financial liabilities included in accrued liabilities and other payables	**5,530**
2009	
Financial liabilities included in accrued liabilities and other payables	5,578

(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).

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(3) Foreign currency risk (Continued)

	Change in exchange rate %	Increase/ (decrease) in the Group's profit before tax HK$'000	Increase/ (decrease) in the Group's equity* HK$'000
2010			
If RMB strengthens against Hong Kong dollar	**5**	**5,154**	**51,701**
If RMB weakens against Hong Kong dollar	**5**	**(5,154)**	**(51,701)**
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)

* Excluding retained profits

(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 2010. 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.

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

(4) Price risk *(Continued)*

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.

	Carrying amount of securities *HK$'000*	Decrease in the Group's profit before tax *HK$'000*	Decrease in the Group's equity *HK$'000*
2010			
Investments in:			
Hong Kong			
— Available-for-sale listed equity investment	**9,900**	**(1,485)**	**(1,485)**
— Listed equity investments measured at fair value through profit or loss	**3,708**	**(556)**	**(556)**
Mainland China			
— Unlisted investment funds measured at fair value through profit or loss	**266,343**	**(26,634)**	**(26,634)**
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)

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 2010 and 2009.

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. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 30 March 2011.

Financial Summary

The following is a summary of the Group's published results and assets, liabilities and non-controlling interests of the Group for the last five financial periods, as extracted from the published audited financial statements, is set out below.

RESULTS

					Eight months ended 31 December
		Year ended 31 December			
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**258,697**	236,829	262,611	238,502	147,371
PROFIT BEFORE TAX	**23,804**	33,872	26,522	91,488	49,260
Income tax expenses	**(8,476)**	(9,790)	(11,740)	(9,498)	(3,995)
PROFIT FOR THE YEAR/PERIOD	**15,328**	24,082	14,782	81,990	45,265
Attributable to:					
Owners of the Company	**12,982**	22,169	12,374	79,405	44,145
Non-controlling interests	**2,346**	1,913	2,408	2,585	1,120
	15,328	24,082	14,782	81,990	45,265

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

		31 December			
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**1,534,099**	1,446,893	1,417,978	1,361,122	1,200,153
Total liabilities	**(168,087)**	(134,711)	(136,795)	(128,615)	(99,983)
Non-controlling interests	**(16,780)**	(15,788)	(13,875)	(10,800)	(7,545)
	1,349,232	1,296,394	1,267,308	1,221,707	1,092,625