九洲發展有限公司
JIUZHOU DEVELOPMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 908

INTERIM REPORT 2011

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REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

ERNST & YOUNG
安永

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

Introduction

We have reviewed the interim financial statements of Jiuzhou Development Company Limited set out on pages 4 to 24, which comprises the condensed consolidated statement of financial position as of 30 June 2011 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and fair presentation of these interim financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements do not present fairly, in all material respects, in accordance with HKAS 34.

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

30 August 2011

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 HK$'000 (Unaudited)	30 June 2010 HK$'000 (Unaudited)
REVENUE	3	**126,588**	106,273
Cost of sales		**(95,129)**	(88,719)
Gross profit		**31,459**	17,554
Other income, net		**9,552**	5,361
Selling and distribution costs		**(2,125)**	(2,212)
Administrative expenses		**(36,781)**	(26,690)
Other operating expenses		**(383)**	(371)
Share of profit of a jointly-controlled entity		**13,603**	16,126
PROFIT BEFORE TAX	4	**15,325**	9,768
Income tax expense	5	**(8,380)**	(5,519)
PROFIT FOR THE PERIOD		**6,945**	4,249
ATTRIBUTABLE TO:			
Ordinary equity holders of the Company		**5,554**	3,312
Non-controlling interests		**1,391**	937
		6,945	4,249
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	6		
Basic		**HK0.50 cent**	HK0.30 cent
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2011

	Six months ended 30 June 2011 HK$'000 (Unaudited)	30 June 2010 HK$'000 (Unaudited)
PROFIT FOR THE PERIOD	**6,945**	4,249
Other comprehensive income/(expenses):		
Change in fair value of an available-for-sale investment	**(2,500)**	(900)
Exchange realignment on translation of foreign operations attributable to:		
Ordinary equity holders of the Company	**22,198**	1,426
Non-controlling interests	**393**	25
Share of exchange fluctuation reserve of a jointly-controlled entity	**4,945**	193
Other comprehensive income for the period	**25,036**	744
Total comprehensive income for the period	**31,981**	4,993
ATTRIBUTABLE TO:		
Ordinary equity holders of the Company	**30,197**	4,031
Non-controlling interests	**1,784**	962
	31,981	4,993

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2011

	Notes	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**428,349**	431,813
Prepaid land lease payments		**171,624**	174,217
Rights to use port facilities		**19,835**	19,726
Intangible asset		**6,625**	6,474
Investment in a jointly-controlled entity		**160,136**	141,588
Investment in an associate		**—**	—
Available-for-sale investments	7	**8,151**	10,634
Prepayments and deposits	8	**107,600**	107,501
Total non-current assets		**902,320**	891,953
CURRENT ASSETS			
Securities measured at fair value through profit or loss	9	**408,648**	270,383
Inventories		**4,212**	3,196
Trade receivables	10	**38,491**	37,986
Prepayments, deposits and other receivables		**14,365**	13,076
Due from a jointly-controlled entity	11	**2,529**	1,490
Due from related companies	12	**—**	964
Restricted bank balance	13	**842**	823
Cash and cash equivalents	13	**190,609**	314,228
Total current assets		**659,696**	642,146

	Notes	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
CURRENT LIABILITIES			
Trade payables	14	**17,526**	21,729
Accrued liabilities and other payables		**94,736**	93,576
Construction payables		**10,020**	14,334
Tax payable		**10,485**	10,325
Due to related companies	12	**6,341**	5,908
Total current liabilities		**139,108**	145,872
NET CURRENT ASSETS		**520,588**	496,274
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,422,908**	1,388,227
NON-CURRENT LIABILITIES			
Deferred tax liabilities	15	**24,915**	22,215
Net assets		**1,397,993**	1,366,012
EQUITY			
Equity attributable to owners of the Company			
Issued capital	16	**111,860**	111,860
Reserves		**1,267,569**	1,237,372
		1,379,429	1,349,232
Non-controlling interests		**18,564**	16,780
Total equity		**1,397,993**	1,366,012

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to ordinary equity holders of the Company											
	Issued capital HK$'000 (Unaudited)	Share premium account HK$'000 (Unaudited)	Contributed surplus HK$'000 (Unaudited)	Goodwill reserve HK$'000 (Unaudited)	Asset revaluation reserve HK$'000 (Unaudited)	Available-for-sale investment revaluation reserve HK$'000 (Unaudited)	Statutory reserve funds HK$'000 (Unaudited)	Exchange fluctuation reserve HK$'000 (Unaudited)	Retained profits HK$'000 (Unaudited)	Total HK$'000 (Unaudited)	Non-controlling interests HK$'000 (Unaudited)	Total equity HK$'000 (Unaudited)
At 1 January 2011	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
Total comprehensive income/(expense) for the period	–	–	–	–	–	(2,500)	–	27,143	5,554	30,197	1,784	31,981
Transfer to statutory reserve funds	–	–	–	–	–	–	1,431	–	(1,431)	–	–	–
Share of reserve movement of a jointly-controlled entity	–	–	–	–	–	–	2,103	–	(2,103)	–	–	–
At 30 June 2011	111,860	459,870*	446,355*	(200,573)*	41,299*	1,600*	111,991*	207,423*	199,604*	1,379,429	18,564	1,397,993
At 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
Total comprehensive income/(expense) for the period	–	–	–	–	–	(900)	–	1,619	3,312	4,031	962	4,993
Transfer to statutory reserve funds	–	–	–	–	–	–	865	–	(865)	–	–	–
Share of reserve movement of a jointly-controlled entity	–	–	–	–	–	–	2,393	–	(2,393)	–	–	–
At 30 June 2010	111,860	459,870	446,355	(200,573)	32,469	3,900	102,450	150,173	193,921	1,300,425	16,750	1,317,175

* These reserve accounts comprise the consolidated reserves of HK$1,267,569,000 (31 December 2010: HK$1,237,372,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2011

	Note	Six months ended 30 June 2011 HK$'000 (Unaudited)	30 June 2010 HK$'000 (Unaudited)
NET CASH FLOWS FROM/(USED IN):			
Operating activities		**(127,815)**	(52,434)
Investing activities		**(6,357)**	6,366
Net decrease in cash and cash equivalents		**(134,172)**	(46,068)
Cash and cash equivalents at beginning of period		**314,228**	269,279
Effect of foreign exchange rate changes, net		**10,553**	344
Cash and cash equivalents at end of period		**190,609**	223,555
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	13	**165,357**	223,555
Time deposits with original maturity less than three months	13	**25,252**	—
Cash and cash equivalents as stated in the condensed consolidated statement of financial position		**190,609**	223,555

1.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010.

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except for available-for-sale investments and securities measured at fair value through profit or loss, which have been measured at fair value. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except as described by below. In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2011.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*

Apart from the above, the Group has also adopted *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs.

The adoption of these new and revised HKFRSs has had no material effect on the interim financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

1.2 **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 interim financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets* [1]
HKFRS 9	*Financial Instruments* [4]
HKFRS 10	*Consolidated Financial Statements* [4]
HKFRS 11	*Joint Arrangements* [4]
HKFRS 12	*Disclosure of Interests in Other Entities* [4]
HKFRS 13	*Fair Value Measurement* [4]
HKAS 1 (Revised)	*Presentation of Financial Statements* [3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets* [2]
HKAS 19 (2011)	*Employee Benefits* [4]
HKAS 27 (2011)	*Separate Financial Statements* [4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 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, and so far, the Group believes that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2. **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 People's Republic of China (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;

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

(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.

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.

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

	Hotel Six months ended		Tourist attraction Six months ended		Provision of port facilities and ticketing services Six months ended		Corporate and others Six months ended		Condensed consolidated Six months ended	
	30 June 2011 HK$'000 (Unaudited)	30 June 2010 HK$'000 (Unaudited)	**30 June 2011 HK$'000 (Unaudited)**	30 June 2010 HK$'000 (Unaudited)	**30 June 2011 HK$'000 (Unaudited)**	30 June 2010 HK$'000 (Unaudited)	**30 June 2011 HK$'000 (Unaudited)**	30 June 2010 HK$'000 (Unaudited)	**30 June 2011 HK$'000 (Unaudited)**	30 June 2010 HK$'000 (Unaudited)
Segment revenue:										
Sales to external customers	**70,116**	58,020	**23,780**	20,980	**32,692**	27,273	**–**	–	**126,588**	106,273
Segment results	**(3,615)**	(4,674)	**(4,203)**	(8,333)	**17,972**	11,819	**(9,895)**	(6,372)	**259**	(7,560)
Interest income									**1,463**	1,202
Share of profits less losses of a jointly-controlled entity	**–**	–	**–**	–	**13,603**	16,126	**–**	–	**13,603**	16,126
Profit before tax									**15,325**	9,768
Income tax expense									**(8,380)**	(5,519)
Profit for the period									**6,945**	4,249

3. REVENUE

The Group's revenue represents proceeds from the provision of services, sales 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 period.

4. PROFIT BEFORE TAX

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

	Six months ended	
	30 June 2011 HK$'000 (Unaudited)	30 June 2010 HK$'000 (Unaudited)
Cost of inventories sold	**17,076**	12,918
Cost of services provided*	**78,053**	75,801
Amortisation of prepaid land lease payments	**3,694**	3,657
Amortisation of rights to use port facilities	**346**	172
Depreciation	**21,086**	16,141
Unrealised losses on securities measured at fair value through profit or loss, net	**626**	5,185
Realised gains on disposals of securities measured at fair value through profit or loss, net	**(1,675)**	(3,670)
Exchange gains, net	**(18)**	(36)
Gross and net rental income	**(6,128)**	(4,876)
Interest income	**(1,463)**	(1,202)

* Cost of services provided includes an amount of HK$24,172,000 (30 June 2010: HK$19,171,000) in respect of depreciation of property, plant and equipment, amortisation of prepaid land lease payments and amortisation of rights to use port facilities, of which the respective total amounts are also disclosed separately above.

5. INCOME TAX

	Six months ended	
	30 June 2011 HK$'000 (Unaudited)	30 June 2010 HK$'000 (Unaudited)
Current:		
Hong Kong	**—**	—
PRC	**5,680**	3,084
Deferred (note 15)	**2,700**	2,435
Total tax charge for the period	**8,380**	5,519

5. **INCOME TAX** (continued)

Hong Kong profits tax has not been provided because the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2010: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the tax jurisdictions in which the Group operates, based on existing legislation and interpretations and practices in respect thereof.

The share of tax attributable to a jointly-controlled entity amounting to HK$4,884,000 (six months ended 30 June 2010: HK$4,150,000) is included in the share of profit of a jointly-controlled entity on the face of the condensed consolidated income statement.

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

The calculation of basic earnings per share for the period is based on the profit for the period of HK$5,554,000 (six months ended 30 June 2010: HK$3,312,000), and ordinary shares of 1,118,600,000 (six months ended 30 June 2010: 1,118,600,000) in issue during the period.

No adjustment has been made to the basic earnings per share presented for the periods ended 30 June 2011 and 2010 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

7. **AVAILABLE-FOR-SALE INVESTMENTS**

	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Hong Kong listed equity investment, at fair value	**7,400**	9,900
Unlisted equity investment, at cost	**751**	734
	8,151	10,634

8. PREPAYMENTS AND DEPOSITS

	Notes	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Rental prepayments		**4,361**	4,262
Deposit for the proposed acquisition of certain parcels of land	(i)	**103,239**	103,239
Deposit for the proposed acquisition of a subsidiary	(ii)	**—**	—
		107,600	107,501

Notes:

(i) On 30 June 2006, the Group entered into a letter of intent with 珠海市國源投資有限公司 ("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 ("Debt Restructuring Agreement"). Details of the Debt Restructuring Agreement were included in the annual financial statements for the year ended 31 December 2010. If 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.

8. **PREPAYMENTS AND DEPOSITS** (continued)

Notes: (continued)

(i) (continued)

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 2010, 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 this unaudited interim financial statement, the Group was still in the process of obtaining the land use right certificate.

(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 ended 31 December 2008. 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.

8. PREPAYMENTS AND DEPOSITS (continued)

Notes: (continued)

(ii) (continued)

Up to the date of approval of these unaudited condensed consolidated interim financial statements, the Company was still in the process of taking legal proceedings for recovering the Earnest Money. As a part of the legal proceedings, the High Court of the Hong Kong Special Administrative Region (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 still 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 during the year ended 31 December 2010.

9. SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Listed equity investments in Hong Kong, at market value	4,041	3,708
Listed equity investments in the PRC, at market value	971	—
Unlisted equity investments in the PRC, at fair value	—	332
Unlisted investment funds in the PRC, at fair value	403,636	266,343
	408,648	270,383

10. TRADE RECEIVABLES

	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Trade receivables	40,971	39,923
Impairment	(2,480)	(1,937)
	38,491	37,986

10. TRADE RECEIVABLES (continued)

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

As at 30 June 2011, the Group had a receivable balance due from the Zhuhai Municipal Government arising from the use of the Group's hotel facilities amounting to approximately HK$21,016,000 (31 December 2010: HK$23,254,000). The trade receivable with the Zhuhai Municipal Government is unsecured, 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:

	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Current to 3 months	**27,046**	23,521
4 to 6 months	**2,218**	1,749
7 to 12 months	**5,229**	5,523
Over 12 months	**3,998**	7,193
	38,491	37,986

Included in the above impairment allowance of trade receivables is an allowance for individually impaired trade receivables of approximately HK$2,480,000 (31 December 2010: HK$1,937,000) with a gross carrying amount before provision of approximately HK$2,491,000 (31 December 2010: HK$2,453,000). 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.

11. DUE FROM A JOINTLY-CONTROLLED ENTITY

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

12. BALANCES WITH RELATED COMPANIES

In addition to those disclosed elsewhere, particulars of amounts due from related companies are as follows:

Name	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
珠澳旅遊集散中心*	—	857
珠海市九洲郵輪有限公司	—	107
Macau-Mondial Travel & Tours Ltd. ("Macau-Mondial")**	**5,398**	5,398
Zhuhai Special Economic Zone Hotel ("Zhuhai SEZ Hotel")**	**458**	458
	5,856	6,820
Less: impairment	**(5,856)**	(5,856)
	—	964

* The amounts represented the funds advanced to the related companies from the Group as at 31 December 2010.

** The amounts due from Macau-Mondial and Zhuhai SEZ Hotel, subsidiaries of Zhu Kuan Group Company Limited ("Zhu Kuan Macau"), the then controlling shareholder of the Company, 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 periods.

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

13. RESTRICTED BANK BALANCE AND CASH AND CASH EQUIVALENTS

	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Cash and bank balances	**166,199**	280,371
Less: Restricted bank balance (note a)	**(842)**	(823)
	165,357	279,548
Time deposits with original maturity within three months	**25,252**	34,680
	190,609	314,228

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.

14. TRADE PAYABLES

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

	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Current to 3 months	**14,553**	18,410
4 to 6 months	**21**	170
7 to 12 months	**—**	—
Over 12 months	**2,952**	3,149
	17,526	21,729

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

15. DEFERRED TAX LIABILITIES

	Revaluation of leasehold buildings HK$'000	Withholding taxes HK$'000	Total HK$'000
30 June 2010			
At 1 January 2010	10,675	6,713	17,388
Deferred tax charged to the income statement during the period (note 5)	—	2,435	2,435
At 30 June 2010	10,675	9,148	19,823
30 June 2011			
At 1 January 2011	13,619	8,596	22,215
Deferred tax charged to the income statement during the period (note 5)	—	2,700	2,700
At 30 June 2011	13,619	11,296	24,915

16. SHARE CAPITAL

	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Shares		
Authorised:		
2,000,000,000 shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
1,118,600,000 shares of HK$0.10 each	**111,860**	111,860

17. RELATED PARTY TRANSACTIONS

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

Name	Notes	Nature	Six months ended 30 June 2011 HK$'000 (Unaudited)	30 June 2010 HK$'000 (Unaudited)
Zhuhai Holiday Resort Co., Ltd. (the "ZH Resort")	(i)	Rental expenses	**4,309**	4,248
Zhuhai High-Speed Passenger Ferry Co., Ltd. ("Ferry Company")	(ii)	Port service fees	**20,727**	16,326
Zhuhai Jiuzhou Tourism Group Company Limited ("Zhuhai Jiuzhou Tourism Group")	(iii)	Rental expenses	**2,236**	1,962
China Marine Bunker Supply Company Jiuzhou Branch	(iv)	Diesel fuel expenses	**4,122**	3,913

Notes:

(i) The rental expenses paid to ZH Resort, a subsidiary of Zhu Kuan Macau, were calculated based on the terms of the tenancy agreement dated 31 March 1998.

(ii) Zhuhai Jiuzhou Port Passenger Traffic Services Co., Ltd. ("ZJPPTS"), a subsidiary of the Company, received agency commission fees and service fees for acting as an agent in the sale of ferry tickets to passengers and for the provision of management services for the berthing facilities at the Jiuzhou Port in Zhuhai to Ferry Company, a jointly-controlled entity of the Group. The service fees are charged at a rate of 23.5% on the gross proceeds from the sale of ferry tickets.

(iii) The rental expenses paid to Zhuhai Jiuzhou Tourism Group, which is a substantial shareholder of the Company and the major shareholder of the Ferry Company, were calculated by reference to the respective tenancy agreements.

(iv) The diesel fuel expenses paid to China Marine Bunker Supply Company Jiuzhou Branch, which is a subsidiary of Zhuhai Jiuzhou Tourism Group, were calculated with reference to the diesel fuel supply agreement.

17. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties

In addition, in 1994, ZJPPTS 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 ZJPPTS 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.

(c) Compensation to key management personnel of the Group

	Six months ended	
	30 June 2011 HK$'000 (Unaudited)	30 June 2010 HK$'000 (Unaudited)
Short term employee benefits	**1,082**	1,024
Post-employment benefits	**99**	83
Total compensation paid to key management personnel	**1,181**	1,107

18. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had no significant contingent liabilities (31 December 2010: Nil).

19. OPERATING LEASE COMMITMENTS

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 had future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Within one year	**12,899**	14,983
In the second to fifth years, inclusive	**38,558**	36,421
After five years	**238,665**	237,802
	290,122	289,206

20. COMMITMENTS

In addition to the operating lease commitments detailed in note 19 above, the Group had the following commitments at the end of the reporting period:

	30 June 2011 HK$'000 (Unaudited)	31 December 2010 HK$'000 (Audited)
Capital commitments contracted for:		
Acquisition of items of property, plant and equipment	**13,041**	9,866

21. COMPARATIVE AMOUNTS

Certain comparative amounts in the condensed consolidated statement of cash flows have been reclassified to conform with the current period's presentation.

22. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 30 August 2011.

MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION

Management Discussion and Analysis

Business Review

For the six months ended 30 June 2011, the unaudited consolidated revenue of the Group amounted to approximately HK$126,588,000 and the unaudited consolidated net profit attributable to shareholders was approximately HK$5,554,000, representing an increase of approximately 19% and 68% respectively as compared to the same period of last year. During the period under review, economy in Mainland China showed a continuous growth, tourism in Zhuhai maintained a steady development, and the constant increase in passenger volume between Zhuhai and Hong Kong all together created beneficial external operating conditions for the Group's Hong Kong ferry and tourist business; resulting in an improvement in the overall operating result as compared to the corresponding period of last year.

1. *Marine passenger transportation and port business*

   For marine passenger transportation and port business, the passenger volume of Hong Kong ferry services recorded a constant increase as economy in Mainland China showed continuous growth and trading between Zhuhai and Hong Kong were frequent. In particular, the Zhuhai – Hong Kong International Airport line and Zhuhai – Shekou line both recorded satisfying increases. During the period under review, the passenger volume of ferry services running between Zhuhai and Hong Kong (including Hong Kong Airport line), and Zhuhai and Shekou operated by Zhuhai High Speed Passenger Ferry Co., Ltd (the "Ferry Company") was approximately 873,000 and 271,000 respectively, representing an increase of approximately 4% and 15% as compared to the same period of last year. In addition, as ferry ticket price increased during the period, the operating revenue of Ferry Company increased approximately 16% as compared to the same period of last year. However, since fuel price increased over an average of 30% as compared to the same period last year, revenue was further offset. As a result, the Ferry Company's operating profit for the period decreased approximately 16% as compared to 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. recorded an increase of approximately 20% over the same period of 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 15% respectively as compared to the same period last year.

Management Discussion and Analysis (continued)

Business Review (continued)

2. *Hotel business*

During the period under review, the average occupancy rate of our hotel was approximately 58%, representing an increase of approximately 2% as compared to the same period of last year and the average room rates slightly increased approximately 2% over the same period of last year. The income from room and catering services rendered by our resort hotel during the period under review recorded an increase of over 18% as compared to the same period of last year. However, revenue of travel agency business carried out by resort hotel dropped approximately 20% as compared to the same period of last year. Overall operating results still recorded a slight improvement over the same period of last year.

3. *The New Yuanming Palace and the Fantasy Water World*

During the period under review, the number of visitors of the New Yuanming Palace was approximately 331,000, representing an increase of approximately 8% over the same period of last year. The increase in number of visitors was mainly due to the introduction of new drama and shows and renovation of the Ancient Palace Market and Western Square, which made the New Yuanming Palace more attractive and entertaining. Fantasy Water World mainly operated for six months from the first two months: May to October each year. For the remaining months, it only opened partially for the operation of winter event due to low temperature. Operating results of the period only included the operation in May and June (number of visitors was approximately 67,000) and increased approximately 29% over the same period of last year. The main reasons of increase in the number of visitors were that the weather was excellent during May to June, the management launched relevant discount ticket policies at a timely manner and special effort was made to enhance marketing. Results of attraction business improved from that of the same period last year due to effective cost control implemented by the management.

Management Discussion and Analysis (continued)

Business Review (continued)

4. *Others*

During the period under review, a net gain totaled to approximately HK$1,049,000 was recorded for realized gains on disposal of securities measured at fair value through profit or loss, net of unrealized losses on securities measured at fair value through profit or loss owing to the relatively active securities markets in Mainland China and Hong Kong. However, compared to the same period last year, a net loss totaled to approximately of HK$1,515,000 was resulted for realized gains on disposal of securities measured at fair value through profit or loss, net of unrealized losses on securities measured at fair value through profit or loss due to the sluggish performance of bonds and/or stock markets in Mainland China and Hong Kong.

Prospects

Although the global economy showed signs of recovery since 2010, there were still challenges and uncertainties as of today and economy growth might slow down during second half of the year. It is expected that the Group's hotel and tourist attraction business will continue to face certain challenges. The Group will strive to enhance its operation efficiency, optimize cost control, consolidate internal resources and actively explore new business or projects to tackle the current challenges in this operating environment.

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 an individual (the "Possible Vendor") in relation to the possible acquisition of 80% of the total issued share capital in a company incorporated in Hong Kong (the "Target Company"). The Letter of Intent took effect on 10 September 2008.

Prospects (continued)

The Target Company owns a wholly foreign-owned enterprise established in the People's Republic of China ("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 certain shares of the Target Company ("Share Charge", please refer to the announcement of the Company dated 10 September 2008 for details).

Since the Company could not reach a 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.

Prospects (continued)

The Company received a generally endorsed writ of summons (collectively "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.

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 already made a provision of impairment of HK$30,000,000 for the year ended 31 December 2010 in respect of the prepaid earnest money. Despite the Company has made an impairment provision, it will continue to contest the relevant legal proceedings to recover the earnest money paid.

Prospects (continued)

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 was completed on 25 September 2009. The Group is proceeding with the transfer and 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 of directors of the Company 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.

Prospects (continued)

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 provisional liquidations on PIV in Hong Kong has been put on permanent stay during 2009, PIV is still in provisional liquidation in the British Virgin Islands ("BVI"), 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. Zhu Kuan Macau and Longway are currently taking steps to apply for the discontinuance of provisional liquidation petitions against PIV in the BVI. 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.

Prospects (continued)

Since the Debt Restructuring Agreement is completed and significant step has been taken for completing the Settlement Agreement, and the entering into the Framework Agreement, 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 30 June 2011, the Group has no outstanding banking borrowings (31 December 2010: Nil). The Group's cash and bank balances as at 30 June 2011 amounted to approximately HK$190.6 million (31 December 2010: HK$314.2 million), of which approximately HK$180.3 million (31 December 2010: HK$282.1 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$408.6 million as at 30 June 2011 (31 December 2010: HK$270.4 million) of which approximately HK$404.6 million were denominated in RMB (31 December 2010: HK$266.7 million) and the remaining were all in Hong Kong dollars. 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 30 June 2011 and 31 December 2010 respectively, and based on the total bank borrowings in relation to shareholders' fund, the Group's gearing ratio as at 30 June 2011 and 31 December 2010 respectively was zero.

CONTINGENT LIABILITIES

As at 30 June 2011, the Group had no significant contingent liabilities.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2011, the Group had no future plans for material investments or capital assets except for those disclosed under the heading "Management Discussion and Analysis — Prospects" as stated aforesaid.

FOREIGN EXCHANGE EXPOSURE

Most of the businesses of the Group are operated in Mainland China, 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 30 June 2011, the number of issued ordinary shares was 1,118,600,000 shares in aggregate and the shareholders' equity of the Group was approximately HK$1,379 million.

MATERIAL INVESTMENT HELD, SIGNIFICANT ACQUISITION AND DISPOSALS

During the period under review, there was no acquisition or disposal of material investment, subsidiary or associated company.

NUMBER AND REMUNERATION OF EMPLOYEES

The number and remuneration of employees of the Group has not changed materially from the information disclosed in the latest annual report for the year ended 31 December 2010.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director of the Company 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 of the Company to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest ("Invested Entity"). Eligible participants of the Scheme include (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.

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 to be 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 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and must be subject to approval by the independent non-executive directors of the Company 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.

SHARE OPTION SCHEME (continued)

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

The exercise price of share options is determinable by the directors 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 of Hong Kong Limited (the "Stock Exchange") on the date of grant of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the grant; and (iii) the nominal value of the Company's shares.

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

As at 1 January 2011 and 30 June 2011, no share options were outstanding and no share options were granted, exercised, cancelled or lapsed under the Scheme during the period under review.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2011, the interests and short positions of the Company's directors in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), 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 pursuant to the 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 shares of the Company

Ordinary Shares of HK$0.10 each of the Company:

Name of directors	Number of shares directly and beneficially owned
Mr. 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 30 June 2011, 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.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2011, the following parties (other than Directors or chief executives of the Company) had interests of 5% or more in the issued ordinary shares of the Company which would fall to be disclosed to the Company pursuant to the Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	Number of ordinary shares directly and beneficially held (Unaudited)	Percentage of the Company's issued ordinary shares (Unaudited)
Zhuhai Jiuzhou Tourism Group Company Limited	235,200,000	21.03%
Pioneer Investment Ventures Limited[1]	337,000,000	30.13%
Kwok Hoi Hing[2]	56,220,000	5.03%

Notes:

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

— Zhu Kuan Group Company Limited is the immediate holding company of Pioneer Investment Ventures Limited; and

— Zhu Kuan Company of the Zhuhai SEZ is the immediate holding Company of Zhu Kuan Group Company Limited.

The 337 million shares (representing approximately 30.13% equity interest in the Company) held by Pioneer Investment Ventures Limited have been pledged to Longway Services Group Limited, a wholly-owned subsidiary of Zhuhai Jiuzhou Tourism Group Company Limited.

[2] As at 30 June 2011, Mr Kwok Hoi Hing held 56,220,000 shares of the Company of which 35,820,000 shares were held as beneficial owner and 20,400,000 shares were held through his wholly owned subsidiary, Surpassing Investment Limited.

Save as disclosed above, as at 30 June 2011, 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 and underlying shares of the Company in the register required to be kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the latest corporate governance report which was published in the Company's 2010 Annual Report dated 30 March 2011, it reported that the Company had complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules save for the following:

Under code provision A.1.1 of the CG Code, regular board meeting should be held at least four times a year at approximately quarterly intervals. However, only two regular board meetings were held by the Company in 2010. The Company has held more than two regular board meetings for the six months ended 30 June 2011.

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election. The Company has deviated from this provision in that the Company's non-executive director and independent non-executive directors are not appointed for a specific term, but are subject to retirement by rotation once every three years and any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after his/her appointment pursuant to the Company's Bye-laws.

Save as disclosed above, the Company had complied with the code provisions set out in the CG Code during the six months ended 30 June 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2011.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The audit committee comprises the three independent non-executive directors and the non-executive director of the Company. The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2011 has been reviewed by the audit committee and the Company's auditors, Ernst & Young.

INTERIM DIVIDEND

The board of directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

By Order of the Board of Directors
Chen Yuanhe
Chairman

Hong Kong, 30 August 2011