

九洲發展有限公司 JIUZHOU DEVELOPMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 908

Annual Report
2011



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Corporate Information

Board of Directors

Executive Directors

Mr. Chen Yuanhe (*Chairman*)
Mr. Gu Zengcai (*Deputy Chairman*)
Mr. Huang Xin (*Chief Executive Officer*)
Mr. Jin Tao
Mr. Meng Bin
Mr. Ye Yuhong
Mr. Li Wenjun

Non-Executive Director

Ms. Zeng Juan

Independent Non-Executive Directors

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

Audit Committee

Mr. Albert Ho (*Chairman*)
Mr. Hui Chiu Chung
Mr. Chu Yu Lin, David

Nomination Committee

Mr. Chen Yuanhe (*Chairman*)
Mr. Ye Yuhong
Mr. Hui Chiu Chung
Mr. Chu Yu Lin, David
Mr. Albert Ho

Remuneration Committee

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

Joint Company Secretaries

Ms. Kwok Yu Ching and Miss Chan Suk Fun

Auditors

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
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 (as to Hong Kong law)

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, Wanchai
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

Stock Code

908

Internet Homepage Address

www.0908.hk

Chairman's Statement



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 2011. The consolidated revenue of the Group for the year was approximately HK\$293.4 million and the net profit attributable to owners of the Company was approximately HK\$17.6 million, representing an increase of approximately 13.4% and 35.9% as compared with last year, respectively. Basic earnings per share for the year were HK1.58 cents. No interim dividend was paid during the year. The board of directors of the Company (the "Board") recommend the payment of a final dividend of HK1 cent per share absorbing a total amount of HK\$11,186,000 (2010: Nil) and the payment of a special dividend of HK1 cent per share absorbing a total amount of HK\$11,186,000 (2010: Nil) for the financial year ended 31 December 2011 to the shareholders whose names shall appear on the register of members of the Company on 5 June 2012.

The year 2011 was a year of economic uncertainty; the global market held a "wait-and-see" attitude with the uncertainties surrounding the US economy and the extent of the European debt crisis act as drags on the market. Despite the gloom, the economy of the People's Republic of China (the "PRC") was still relatively strong. Tourism industry in the PRC possessed a comparatively stronger momentum; travelling 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 not idle but will actively seek and explore suitable investment opportunities and potential projects, with the objective to further expand the size of the main business, increase the value of its assets, broaden and strengthen its profit base and maximise returns to the shareholders.

I, on behalf of the Board, would like to take this opportunity to express my deepest gratitude to Mr. Mo Nenglin and Mr. Lan Zhongdang, whom have just resigned, for their kind support, full dedication and invaluable contribution to the Company.

Last but not least, I, would like to express my sincere 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.

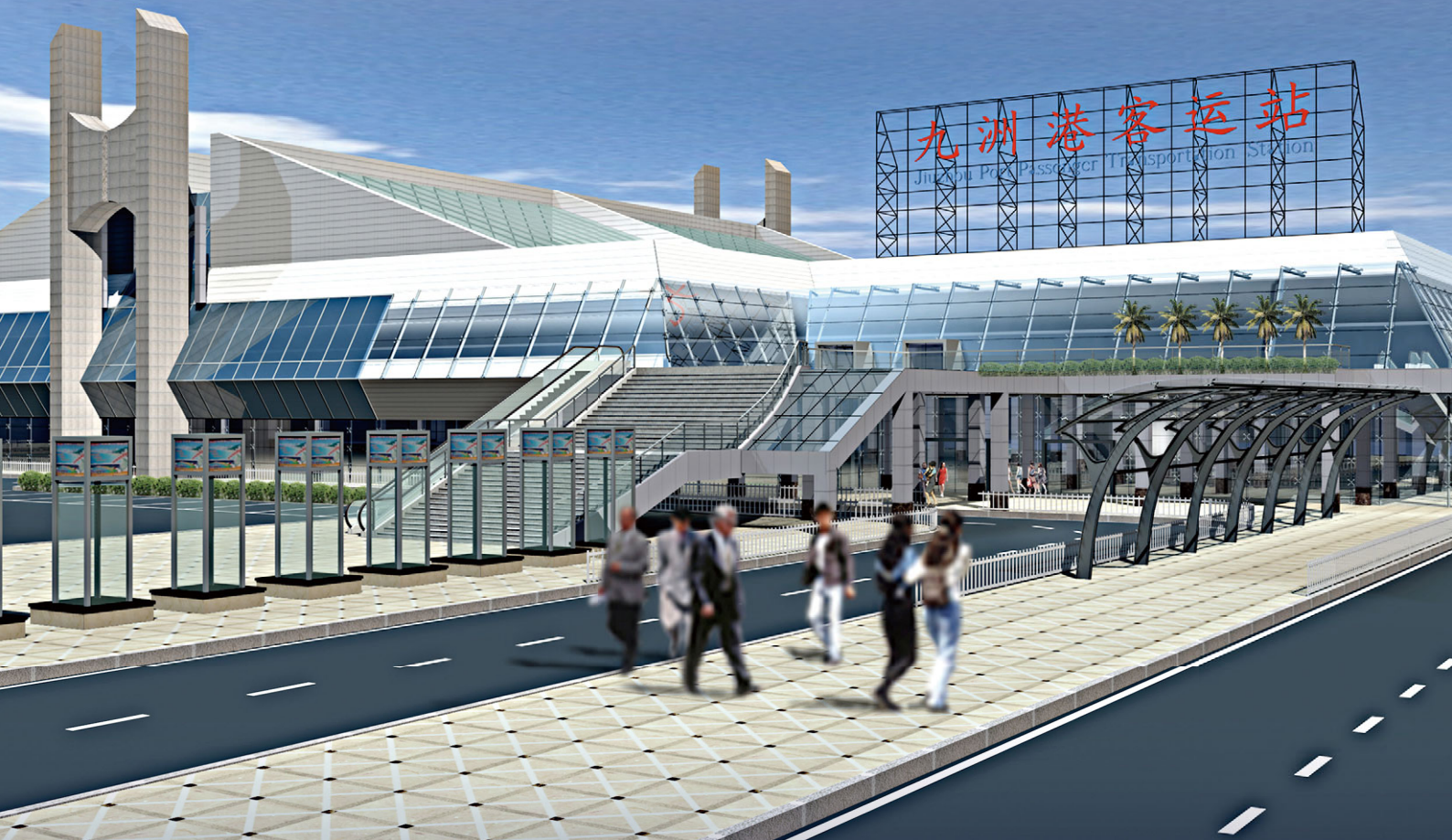
By Order of the Board

Chen Yuanhe

Chairman

Hong Kong, 30 March 2012

Management Discussion and Analysis



Management Discussion and Analysis

Business Review

1. Marine passenger transportation and port business

With the fast development of tourism in the People's Republic of China ("PRC"), the business of the marine passenger transportation has been growing and will benefit the routes to Hong Kong and the flow of passenger growth. 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 Company Limited (the "Ferry Company") was approximately 1,832,400 and 580,800, respectively; representing an increase of 7.5% and 17.3% as compared with last year. The share of passenger volume between Guangdong and Hong Kong as operated by the Ferry Company remained at approximately 39.4%. On the other hand, the Government of the Hong Kong Special Administrative Region promotes its diversified development of maritime passenger transport policies and the Hong Kong-Zhuhai-Macao Bridge construction will be completed and opened to traffic in future, would affect our maritime passenger business development. Besides, we face many difficulties when operating the business in recent years, including the shortage of manpower and the increase of fuel price. It continues to climb by over 39.8% as compared with last year and the fuel expenses rose to 43.5% of the operating costs. As a result, the Ferry Company's operating profits for

the year declined by 20.3% over 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 17.9% as compared with last year, which was mainly due to an increase in number of passenger trips of both ferry lines running between Zhuhai and Hong Kong, together with Zhuhai and Shekou.

2. Hotel Business

The '12th 5-year' Scheme started during 2011 and our resort hotel decided to seize this opportunity and forge ahead. During the year, the average occupancy rate of our hotel was approximately 59.6%, slightly increased as compared with last year. The income from room and catering services rendered by our hotel during the year increased by 7.4% and 24.9% respectively as compared with last year. Since their renovation, our Chinese restaurants have been able to earn the recognition of their guests by delivering our Chinese cuisine, Chinese wedding banquet together with dining services and achieve satisfactory results through the increasing market price. Besides, successful sales of mooncakes also contributed a record high revenue during the year.

3. The New Yuanming Palace and the Fantasy Water World

In 2011, China maintained its growth momentum, its tourism gradually increased. However, in view of the tourism is non-essential consumption, people still was cautious as affected by the soaring consumer products price and the gloomy and turbulent performance of the stock market. Our management has adopted proactive promotion and increased the marketing efforts to maintain the number of visitors. 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 704,200, representing a slight increase as compared with last year. With the warmer summer and less rain during the year, the number of visitors of the Fantasy Water World was approximately 276,900, representing an increase of 4.1% 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 investment sentiment in the PRC financial market turned more cautious, dividend income of HK\$1.5 million of the Company was recorded. On the other hand, as Renminbi recorded mild appreciation against Hong Kong dollar during the year, an exchange gain of HK\$4.8 million was recorded.

Prospects

Even though the global economic outlook still remains uncertain, Mainland China's economic growth is expected to continue. Faced with the challenges of the forthcoming fierce competition, fast changing market and rapid development of competitors both bring threats and challenges to the Group. The Group will continue to capitalise 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.

Updates on disputes in respect of certain earnest money paid by the Group

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.

The Target Company then owned a wholly foreign-owned enterprise ("PRC Entity") established in the PRC. The PRC Entity 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, earnest money (the "Earnest Money") in the amount of HK\$30.0 million (equivalent to RMB26.0 million) was paid by the Company to the Possible Vendor in respect of the Company's proposed acquisition of the Target Company during 2008. The Possible Vendor has agreed to grant an exclusive right

Management Discussion and Analysis *(Continued)*

of negotiation to the Company from the date of the Letter of Intent till its expiry. 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 is eventually unsuccessful. 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 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. 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 Possible Vendor for the refund of the Earnest Money.

In such connection, the Company received a writ and related litigation documents issued by the Possible Vendor during the course of 2009. Under the such litigation documents, the Possible Vendor sought (among other matters): (i) damages for alleged 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 setoff 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. Up to the date of this report, the Company was still in the process of legal proceedings for recovering the Earnest Money. Trial was fixed down to take place in May 2012. As part of the legal proceedings, the High Court of the Hong Kong Special Administrative Region (the "High

Court") gave an injunction order (the "Injunction") in January 2011 in favour of the Company ordering the Possible Vendor to provide financial data of the Target Company and the PRC Entity and to refrain taking control over the PRC Entity including its company chops and seals. Having consulted with the Group's legal advisers who handled such disputes and legal proceedings, the directors of the Company consider that the Possible Vendor does not have sufficient grounds for his refusal to refund the Earnest Money to the Company. The directors of the Company also consider that the Company has valid grounds to defend and counter claim against the Possible Vendor.

Based on the evaluation on the Possible Vendor's financial power and serious doubt on its ability to repay, even if the Group wins 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 believes that the financial condition of the Target Company is worsening. Under the consistency and prudence asset management principles, the directors of the Company made a provision for impairment of HK\$30.0 million during the year ended 31 December 2010 in respect of the 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.

Pursuant to the Share Charge created over the 80% interest in the Target Company, receivers ("Receivers") were appointed by the Company. As the Receivers encountered difficulties in gaining control of assets, books and accounts of the PRC Entity and there were alleged attempts of the Possible Vendor to dissipate assets of the PRC Entity, legal proceedings were taken by the Company and the Receivers so that the Receivers

could take control of the PRC Entity. Following successful taking of such control, the Receivers entered into a sale and purchase agreement with an independent third party, in which the Receivers agreed to sell and the independent third party agreed to purchase the PRC Entity, subject to the approval of the relevant PRC foreign investment regulatory authorities. As at the date of this report, such approval of the transaction is still in process. There were allegations by the Possible Vendor of wrongful enforcement of the above Share Charge by the Company.

If the enforcement of the Share Charge is found by the High Court to be wrongful, the Group might be found liable to any claim. Based on the advice from the Group's legal advisers who handled such disputes and legal proceedings, the directors of the Company consider that the Group has valid grounds to enforce the Share Charge, and accordingly, the risk of the High Court making an adverse order against the Company in relating to the enforcement of the Share Charge would probably be minimal.

Updates on the agreement for acquisition of land use rights in respect of parcels of land in Zhuhai

On 29 December 2006, the Group entered into a conditional sale and purchase agreement ("Land Acquisition Agreement") with Zhuhai Guoyuan Investment Company Limited ("Zhuhai Guoyuan") for the acquisition of the land use rights in respect of several parcels of land leased to the Group where certain building structures of the Hotel Business were erected ("Hotel Land"). The purchase price is a total of RMB90.9 million (equivalent to approximately HK\$103.2 million) payable in cash.

During the year ended 31 December 2009, the Group paid the purchase price in full pursuant to the Land Acquisition Agreement.

Pursuant to the Land Acquisition 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 has been taking steps to complete the transfer and registration procedures for the acquisition of the land use rights in respect of such parcels of land. On the date of issuance of this report, the relevant procedures are still in process. Having taken into account that the Group already completed its payment obligation for acquiring the Hotel Land and only the registration of transfer of such title has not yet been completed, during the year ended 31 December 2011, Zhuhai Holiday Resort Co., Ltd. waived the annual rental in the sum of HK\$8.5 million payable by the Group for the year ended 31 December 2011 and the remaining leasing periods of the tenancy agreement.

Updates on the winding-up proceedings in connection with certain substantial shareholders of the Company

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").

Management Discussion and Analysis *(Continued)*

The board of directors of the Company (the "Board") was advised that 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 in late 2009.

The Company was also advised that following the restoration of both Zhu Kuan Macau and Zhu Kuan HK, proceedings of provisional liquidations on PIV in Hong Kong and the British Virgin Islands has been put on permanent stay or withdrawn and set aside (as the case may be) in November 2010 and in October 2011, respectively. However, 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. Longway has been taking steps to ascertain whether there is any impediment to the transfer of the PIV Charged Shares.

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 may 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 the Group's financial statements on a going concern basis.

Continuing connected transaction exceeded annual cap during the year

Jiuzhou Port Company, a subsidiary of the Company, received agency commission fees and service fees for acting as an agent for the sale of ferry tickets to passengers and for the provision of management services for the berthing facilities at the Jiuzhou Port in Zhuhai to Ferry Company, a jointly-controlled entity. The service fees are charged at a rate of 23.5% on the gross proceeds from the sale of ferry tickets after deducting certain fees and expenses. The service fees for the year ended 31 December 2011 amounted to about HK\$42,907,000 and exceeded the original cap of HK\$39,000,000 as approved at the May 2011 special general meeting by about HK\$3,907,000. The Company will take steps to seek independent shareholders' approval for revised annual caps at a special general meeting to be held later in 2012.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cashflow. The Group's cash and bank balances and short term bank deposits as at 31 December 2011 amounted to approximately HK\$249.5 million (2010: HK\$314.2 million), of which approximately HK\$213.2 million (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\$413.7 million as at 31 December 2011 (2010: HK\$270.4 million), of which approximately HK\$411.3 million (2010: HK\$266.7 million) were denominated in RMB 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 and the PRC 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 2011 and 2010 respectively, and based on the total bank borrowings in relation to shareholders' fund, the Group's gearing ratio as at 31 December 2011 and 2010 respectively was zero.

Number and Remuneration of Employees

At the year end, the Group had approximately 1,539 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.

Dividends

No interim dividend was paid during the year. The Board recommend the payment of a final dividend of HK1 cent per share absorbing a total amount of HK\$11,186,000 (2010: Nil) and the payment of a special dividend of HK1 cent per share absorbing a total amount of HK\$11,186,000 (2010: Nil) for the financial year ended 31 December 2011 to the shareholders whose names shall appear on the register of members of the Company on 5 June 2012. Subject to the approval of the shareholders at the forthcoming annual general meeting to be held on Monday, 28 May 2012, the final dividend and the special dividend will be payable on 15 June 2012.

Management Discussion and Analysis *(Continued)*

Contingent Liabilities

As at 31 December 2011, the Group had no significant contingent liabilities.

Future Plans for Material Investments or Capital Assets

As at 31 December 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 31 December 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\$1,417.4 million.

Material Investments Held, Significant Acquisition and Disposals

During the year, there was no material acquisition or disposal of investment, subsidiary or associated company, except for those disclosed under the heading "Management Discussion and Analysis — Prospects" as stated aforesaid.

Directors and Senior Management

Executive Directors

Mr. Chen Yuanhe, aged 47, has been appointed as the chairman of the Board in July 2009 and as the chairman of the Nomination Committee of the Company on 26 March 2012. He holds a master degree and is currently also the chairman of the board and general manager of Zhuhai Jiuzhou Tourism Group, 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 the board of Gree Electric Appliances, Inc. from April 2004 to October 2006, a company whose shares are listed on the Shenzhen Stock Exchange. 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, Zhuhai Jiuzhou Port Group Corporation, 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, deputy chairman of the board of Zhuhai Jiuzhou Port Group Corporation, director and president of Zhuhai Gree Group Corporation, deputy chairman of the board of Zhuhai Gree Electric Appliances, Inc. and 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 auditing supervision.

Mr. Gu Zengcai, aged 49, 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 Zhuhai Jiuzhou Tourism Group. 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 had 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 Zhuhai Jiuzhou Tourism Group. 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 Chinese Certified Public Accountant, Accountant and Auditor in the PRC. He has over twenty years' experience in financial management, auditing, enterprise management and finance.

Directors and Senior Management *(Continued)*

Executive Directors

(Continued)

Mr. Huang Xin, aged 46, 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 Zhuhai Jiuzhou Tourism Group. 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. Jin Tao, aged 48, has been appointed as an executive director of the Company on 6 January 2012. He holds a master degree in aircraft engineering from Northwestern Industrial University and is qualified as a senior engineer. Mr. Jin is also currently the deputy general manager of Zhuhai Jiuzhou Tourism Group. Mr. Jin was an executive director of the Company from September 2002 to July 2009. In the past, Mr. Jin worked in Liyang Machinery Co., Ltd. under the Ministry of Aviation of the PRC, the Electrical & Mechanical General Factory of Zhuhai, Gongbei Industrial General Corporation of Zhuhai Special Economic Zone, and Zhuhai Dahengqin Investment Co., Ltd. ("ZDIC"). Mr. Jin worked in the Ferry Company in the capacity of deputy manager of the Technology Department. He also worked as secretary of the board of directors, manager of the Operation Development Department, chief engineer, and deputy general manager in Zhuhai Jiuzhou Tourism Group, and as general manager in ZDIC. He is a non-executive committee member of the Zhuhai Municipal City Planning Committee. Mr. Jin has over 25 years of experience in enterprise management, shipping management and maintenance, tourism management and project investment, technological development and loan acquisition.

Executive Directors

(Continued)

Mr. Meng Bin, aged 58, has been appointed as an executive director of the Company on 6 January 2012. He graduated from Guangdong University of Foreign Language and Foreign Trade/Studies and also holds the qualification of intermediate level translator. Mr. Meng is currently a director of Zhuhai Jiuzhou Tourism Group and the GREE Group. Mr. Meng worked at Guangdong Maoming Petro-industrial Company, Zhuhai Paradise Hill Tourism Centre, Zhuhai Guesthouse, Macau Zhu Kuan Group Company, and Macau Global International Travel Agency, serving as translator, manager of the Travel Department, and deputy general manager cum director respectively. Mr. Meng was a director of Zhuhai Resort Ltd. and Greenery Hotel Ltd., chairman and legal representative of Zhuhai Tourism Group, Zhuhai Gaolian Enterprise Company, Zhuhai International Circuit Ltd., and Zhuhai Lakewood Golf Club, deputy general manager cum director of the former Zhuhai Jiuzhou Port Group Corporation, and general manager and legal representative of Zhuhai Special Economic Zone Nongyi Enterprise Company (which is a subsidiary of Zhuhai Jiuzhou Tourism Group). Mr. Meng has over 30 years of experience in enterprise operation and management, project development and corporate management.

Mr. Ye Yuhong, aged 47, has been appointed as an executive director in July 2009 and as a member of the Nomination Committee of the Company on 26 March 2012. He was a postgraduate, and is currently also the deputy secretary of CPC Committee and secretary of Discipline Inspection Commission of Zhuhai Jiuzhou Tourism Group. Mr. Ye has worked in the State Key Laboratory of Laser Technology of Huazhong University of Science and Technology, the Organisation 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 Zhuhai Jiuzhou Tourism Group. 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 46, has been appointed as an executive director of the Company in July 2009. He was a postgraduate and is currently also the deputy general manager of Zhuhai Jiuzhou Tourism Group. 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.

Directors and Senior Management *(Continued)*

Non-Executive Director

Ms. Zeng Juan, aged 37, has been appointed as a non-executive director of the Company on 6 January 2012. She holds a bachelor degree in accountancy from Shanghai Maritime College (now renamed as Shanghai Maritime University) and is a certified public accountant in the PRC. She is currently the financial controller cum director of Zhuhai Jiuzhou Tourism Group and a director of Zhuhai Zhu Kuan Group (Holdings) Ltd. ("ZZKGH"). ZZKGH has neither shareholding nor control relationship with the Company or any of its substantial shareholders. Ms. Zeng worked in the China Zhuhai Ocean Shipping Agency, Eternal Chemical (Guangdong) Co. Ltd., Shu Lun Pan Certified Public Accountants Co., Ltd. (Zhuhai Branch), Europetec (Zhuhai F.T.Z.) Company Ltd., and State-owned Assets Supervision and Administration Commission of the State Council (Zhuhai), in the respective capacity of accounting supervisor, head of accounting unit, deputy head, manager of the Finance Department, and financial controller. She had worked as financial controller of Zhuhai Public Transport Company and Zhuhai Transport Development Company, financial controller cum director of Zhuhai Duty Free Enterprises Group Co. Ltd., ZDIC and Zhuhai Jiuzhou Tourism Group, and director of ZZKGH. Ms. Zeng has over 15 years of experience in enterprise operation and management, financial operation, corporate management, risk management, and corporate auditing.

Independent Non-Executive Directors

Mr. Hui Chiu Chung J.P., aged 64, joined the Company as an independent non-executive director in April 1998. He is also the chairman of the Remuneration Committee, a member of the Audit Committee and has been appointed as a member of the Nomination Committee of the Company on 26 March 2012. Mr. Hui is currently the chairman and chief executive officer of Luk Fook Financial Services Limited. He has 40 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 Limited, a member of the Advisory Committee of the Hong Kong Securities and Futures Commission, director of the Hong Kong Securities Clearing Company Limited, a member of the Listing Committee of the Hong Kong Exchange and Clearing Limited, an appointed member of the Securities and Futures Appeals Tribunal, a member of Standing Committee on Company Law Reform, a member of the Committee on Real Estate Investment Trusts of the Hong Kong Securities and Futures Commission and also an appointed member of the Hong Kong Institute of Certified Public Accountants Investigation Panel A. 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 Government "Appointees" (independent member) of Appeal Panel of the Travel Industry Council of Hong Kong. Mr. Hui also serves as a non-executive director of Luk Fook Holdings (International) Limited, (Stock Code: 590), an independent non-executive director of Hong Kong Exchanges and Clearing Limited (Stock Code: 388), Lifestyle International Holdings Limited (Stock Code: 1212), Chun Wo Development Holdings Limited (Stock Code: 711), Frasers Property (China) Limited (Stock Code: 535) and China South City Holdings Limited (Stock Code: 1668) whose shares are listed on The Stock Exchange of Hong Kong Limited.

Independent Non-Executive Directors

(Continued)

Mr. Chu Yu Lin, David, SBS, J.P., aged 68, 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 and has been appointed as a member of the Nomination Committee of the Company on 26 March 2012. 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 Bank of America, General Electric Co., 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 54, was appointed as an independent non-executive director of the Company in September 2004. He is also the chairman of the Audit Committee, a member of the Remuneration Committee and has been appointed as a member of the Nomination Committee of the Company on 26 March 2012. 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. 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 *(Continued)*

Senior Management

Mr. Lu Tong, aged 44, is the vice president of the Company. He holds a master degree. He is also a director of other companies in the Group. Mr. Lu had worked in many enterprises under the Zhu Kuan Group in the capacities of assistant manager, deputy manager and manager, and was involved in various fields including company legal affairs, project finance and investment management etc. He joined the Company in May 1998. Mr. Lu received his Bachelor of Laws degree from Shenzhen University and is a qualified lawyer in the PRC. He was a postgraduate in Finance in the University of International Business and Economics and received his Master of Business Administration degree from the Royal Roads University subsequently. He has over twenty years' experience in company law, finance investment, project finance and corporate management.

Mr. Tang Jin, aged 39, is the assistant president of the Company. He holds a master degree. Mr. Tang is also a director of Zhuhai High-speed Passenger Ferry Co., Ltd. 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 together with asset management, and served as assistant manager, deputy manager and manager positions. Mr. Tang obtained his Master of Business Administration degree from the Royal Roads University and has over 15 years' experience in corporate project management, securities investment and administration management.

Mr. Chan Chit Ming, aged 39, is the financial controller of the Company. He holds a master degree. Prior to joining the Group, Mr. Chan had worked as finance manager, internal audit manager, company secretary and financial controller of various companies listed on the Main Board and the Growth Enterprise Market Board of The Stock Exchange of Hong Kong Limited. He joined the Company as financial controller in February 2012. Mr. Chan graduated from University of Humberside with a Bachelor degree of Arts (Accountancy and Finance) and received his Master of Business Administration degree from the University of Hull in United Kingdom. He is an associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of Chartered Certified Accountants as well as a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 17 years of solid finance, accounting, auditing experience in various industries and extensive experience and knowledge in company secretarial and corporate governance fields.

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

Report of the Directors

The directors of the Company present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2011.

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 2011 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 42 to 119.

The directors recommend the payment of a final dividend of HK1 cent per ordinary share and the payment of a special dividend of HK1 cent per ordinary share in respect of the year to the shareholders on the register of members on 5 June 2012.

Summary Financial Information

A summary of the results and assets, liabilities and non-controlling interests of the Group for the years ended 31 December 2007, 2008, 2009, 2010 and 2011, as extracted from the published audited financial statements is set out on page 120. 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.

Report of the Directors (*Continued*)

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 2011, the Company's reserves available for distribution, calculated in accordance with the laws of Bermuda, amounted to HK\$635,000. In addition, the Company's contributed surplus, amounting to HK\$628,440,000 as at 31 December 2011, 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 2011 is distributable in the form of fully-paid bonus shares.

Charitable Contributions

During the year, the Group made charitable contributions totalling HK\$1,890,000.

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. Jin Tao (appointed on 6 January 2012)

Mr. Meng Bin (appointed on 6 January 2012)

Mr. Ye Yuhong

Mr. Li Wenjun

Mr. Mo Nenglin (resigned on 6 January 2012)

Mr. Lan Zhongdang (resigned on 6 January 2012)

Non-Executive Directors:

Mr. Liang Han

Ms. Zeng Juan (appointed on 6 January 2012)

Independent Non-Executive Directors:

Mr. Hui Chiu Chung

Mr. Chu Yu Lin, David

Mr. Albert Ho

Report of the Directors *(Continued)*

Directors *(Continued)*

The directors of the Company, including the executive directors, 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. Ye Yuhong, Mr. Li Wenjun and Mr. Albert Ho, directors of the Company, shall retire at the forthcoming annual general meeting. In addition, Mr. Jin Tao, Mr. Meng Bin and Ms. Zeng Juan who have been appointed by the Board of the Company on 6 January 2012, shall hold office until the forthcoming annual general meeting pursuant to Bye-Law 115 of the Company's Bye-Laws. All the above retiring directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting pursuant to Bye-Laws 111(A) and 115 of the Company's Bye-Laws.

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

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. Hui Chiu Chung J. P., as an independent non-executive director of the Company, has been re-designated from an independent non-executive director to non-executive director of Luk Fook Holdings (International) Limited (Stock code: 590) on 1 October 2011.

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 the shareholders' approval at the 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 2011, 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. Jin Tao	1,742,000
Mr. Ye Yuhong	460,000
Mr. Chu Yu Lin, David	2,700,000
Mr. Albert Ho	250,000
	6,152,000

Save as disclosed above, as at 31 December 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.

Report of the Directors *(Continued)*

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 2011, 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%
Mr. Kwok Hoi Hing**	67,138,000	6.0%

* 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).

** As at 31 December 2011, Mr. Kwok Hoi Hing held 67,138,000 shares of the Company of which 20,838,000 shares were held through his wholly owned subsidiary, Surpassing Investment Limited.

Save as disclosed above, as at 31 December 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 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 certain agreements on similar terms (collectively, the "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 term commencing 1 January 2011 and expiring on 31 December 2013. 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 AM Fee Agreements constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules. At the special general meeting ("May 2011 SGM") of the Company held on 27 May 2011, the AM Fee Agreements, the transactions thereby and the related caps (as set out in the Company's circular dated 11 April 2011) were approved by independent shareholders of the Company. Under the AM Fee Agreements, Jiuzhou Port Company was entitled to receive agency cum management fees ("Agency Commission") 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 AM Fee Agreements.

As the average ferry ticket price and the outbound passenger flow for the relevant ferry routes during 2011 under the AM Fee Agreements increased at a rate greater than originally expected, the Agency Commissions payable by the Ferry Company to the Company for each of the three financial years ended 31 December 2013 were envisaged to exceed the respective annual caps approved in the May 2011 SGM. The Company took steps to seek approval from independent shareholders to approve the revised annual caps ("Revised Caps") under the AM Fee Agreements. The motion for approving the proposed Revised Caps however was not carried, marginally where about 50.15% of the votes at the meeting were cast against such motion while 49.85% were cast in favour of such motion. As a result, the Agency Commission for the year ended 31 December 2011 amounted to about HK\$42,907,000, and exceeded the original cap of HK\$39,000,000 as approved at the May 2011 SGM by about HK\$3,907,000.

In connection with the Agency Commissions for each of the two years ending 31 December 2013 under the AM Fee Agreement, steps will be taken by the Company to seek independent shareholders' approval for revised annual caps at a special general meeting to be held later this year (i.e. 2012).

Report of the Directors *(Continued)*

Continuing Connected Transactions *(Continued)*

- (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 (which 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.
- (iii) Under a supply agreement dated 1 January 2010, Zhuhai Jiuzhou Port Petrol-filling Station Company Limited, 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 ZHRHC petrol on an on-going basis for a term of two years commencing from 1 January 2010. 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 Zhuhai Jiuzhou Port Petrol-filling Station Company Limited on a monthly basis in arrears.
- (iv) Under a berth leasing agreement dated 29 November 2009, Zhuhai Jiuzhou Tourism Group has agreed to lease a total of 8 commercial berths (together with ancillary berths and port facilities) to Jiuzhou Port Company on an on-going basis for a term of two years commencing from 1 January 2010. The rental expenses payable by Jiuzhou Port Company would be the same as the price level applicable to the group companies of Zhuhai Jiuzhou Tourism Group and shall be paid by Jiuzhou Port Company to Zhuhai Jiuzhou Tourism Group 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.

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 governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Continuing Connected Transactions *(Continued)*

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), (iii)(4), (iv) and (v) 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.

Except for the continuing connected transactions, Agency Commission, as detailed in note 37(a)(ii) to the financial statements which have exceeded the 2011 annual cap for the year ended 31 December 2011, Ernst & Young issued unqualified conclusions in respect of the continuing connected transactions as detailed in notes 37(a)(iii)(4), (iv) and (v) to the financial statements in accordance with Rule 14A.38 of the Listing Rules.

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 2012

Corporate Governance Report

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 2011 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 emphasise the importance of a quality Board, effective internal controls and accountability to shareholders.

The Company recognises 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 two regular board meetings were held within the first and third quarters of 2011 since the Company does not announce its quarterly results and the Board also had held seven Board meetings during 2011; and
- (2) the Company's directors including non-executive directors and independent non-executive directors, 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.

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/she carries out his/her 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, as at 31 December 2011, 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. Jin Tao (appointed on 6 January 2012)
 Mr. Meng Bin (appointed on 6 January 2012)
 Mr. Ye Yuhong
 Mr. Li Wenjun
 Mr. Mo Nenglin (resigned on 6 January 2012)
 Mr. Lan Zhongdang (resigned on 6 January 2012)

Non-executive directors:

Mr. Liang Han
 Ms. Zeng Juan (appointed on 6 January 2012)

Independent non-executive directors:

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

Corporate Governance Report *(Continued)*

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 13 to 18.

During the year ended 31 December 2011, 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 directors 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 organisational 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 directors and independent non-executive directors may not be 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 accordance with Bye-Law 111(A) of the Company's Bye-Laws, Mr. Ye Yuhong, Mr. Li Wenjun and Mr. Albert Ho, directors of the Company, shall retire at the forthcoming annual general meeting. In addition, Mr. Jin Tao, Mr. Meng Bin and Ms. Zeng Juan who have been appointed by the Board of the Company on 6 January 2012, shall hold office until the forthcoming annual general meeting pursuant to Bye-Law 115 of the Company's Bye-Laws. All the above retiring directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting pursuant to Bye-Laws 111(A) and 115 of the Company's Bye-Laws.

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.

Corporate Governance Report *(Continued)*

Board of Directors *(Continued)*

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.

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.

Board of Directors *(Continued)*

Board meetings *(Continued)*

Number of Meetings and Directors' attendance records

During the year ended 31 December 2011, two regular Board meetings were held within the first and third quarters of 2011 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 seven Board meetings during 2011.

The attendance records of each director at the Board meetings during the year ended 31 December 2011 are set out below:

Name of directors	Attendance/ Number of Meetings
Executive Directors	
Mr. Chen Yuanhe <i>(Chairman)</i>	5/7
Mr. Gu Zengcai <i>(Deputy Chairman)</i>	6/7
Mr. Huang Xin <i>(Chief Executive Officer)</i>	7/7
Mr. Jin Tao (appointed on 6 January 2012)	N/A
Mr. Meng Bin (appointed on 6 January 2012)	N/A
Mr. Ye Yuhong	7/7
Mr. Li Wenjun	6/7
Mr. Mo Nenglin (resigned on 6 January 2012)	7/7
Mr. Lan Zhongdang (resigned on 6 January 2012)	6/7
Non-Executive Directors:	
Mr. Liang Han	6/7
Ms. Zeng Juan (appointed on 6 January 2012)	N/A
Independent Non-executive Directors	
Mr. Hui Chiu Chung	7/7
Mr. Chu Yu Lin, David	6/7
Mr. Albert Ho	7/7

Corporate Governance Report *(Continued)*

Board of Directors *(Continued)*

Model Code for Securities Transactions

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2011.

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 2011.

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 2011 are set out in note 7 to the financial statements.

Remuneration committee

The Remuneration Committee comprises five 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;
- 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.

Corporate Governance Report *(Continued)*

Remuneration of Directors and Senior Management

(Continued)

Remuneration committee *(Continued)*

The Remuneration Committee held two meetings during the year ended 31 December 2011 and the attendance records are set out below:

Name of directors	Attendance/ Number of Meetings
Independent Non-executive Directors	
Mr. Hui Chiu Chung <i>(Chairman)</i>	2/2
Mr. Chu Yu Lin, David	1/2
Mr. Albert Ho	2/2
Non-executive Directors	
Mr. Liang Han	2/2
Executive Directors	
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 2011.

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.

Accountability and Audit *(Continued)*

Internal control

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 four 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.

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.

Corporate Governance Report *(Continued)*

Audit Committee *(Continued)*

During the year under review, the Audit Committee has reviewed the Group's unaudited interim financial report for the six months ended 30 June 2011, annual results and annual report for the year ended 31 December 2011, the financial reporting and compliance procedures, the report from the management on the Company's internal control and risk management review and process and the re-appointment of the external auditors.

The Audit Committee held two meetings during the year ended 31 December 2011 and the attendance records are set out below:

Name of directors	Attendance/ Number of Meetings
Independent Non-executive Directors	
Mr. Albert Ho <i>(Chairman)</i>	2/2
Mr. Hui Chiu Chung	2/2
Mr. Chu Yu Lin, David	1/2
Non-executive Directors	
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 40 to 41.

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 <i>(HK\$)</i>
Audit service	830,000
Non-audit services	
– Interim review	270,000
– Taxation service	22,000
– Continuing connected transactions report	40,000
Total	1,162,000

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 recognises 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 info@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.

Independent Auditors' Report



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 42 to 119, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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.

Independent Auditors' Report *(Continued)*

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 2011, 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

22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
30 March 2012

Consolidated Income Statement

Year ended 31 December 2011

	Notes	2011 HK\$'000	2010 HK\$'000
REVENUE	5	293,353	258,697
Cost of sales		(213,102)	(197,135)
Gross profit		80,251	61,562
Other income and gains, net	5	19,793	42,032
Selling and distribution costs		(5,158)	(5,137)
Administrative expenses		(75,324)	(69,180)
Other operating expenses, net		(7,482)	(2,303)
Impairment of a non-current deposit	21(a)(ii)	—	(30,000)
Share of profits and losses of a jointly-controlled entity		21,371	26,830
PROFIT BEFORE TAX	6	33,451	23,804
Income tax expense	8	(13,812)	(8,476)
PROFIT FOR THE YEAR		19,639	15,328
Attributable to:			
Owners of the Company	9	17,638	12,982
Non-controlling interests		2,001	2,346
		19,639	15,328
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	11		
Basic		HK1.58 cents	HK1.16 cents
Diluted		HK1.58 cents	HK1.16 cents

Details of the dividends for the year are disclosed in note 10 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	2011	2010
	HK\$'000	HK\$'000
PROFIT FOR THE YEAR	19,639	15,328
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Available-for-sale investments:		
Change in fair value	(300)	(700)
Asset revaluation:		
Surplus/(deficit) on property revaluation	(1,090)	11,774
Deferred tax effect	273	(2,944)
	(817)	8,830
Share of other comprehensive income of a jointly-controlled entity:		
Changes in exchange reserve	7,611	5,171
Exchange differences on translation of foreign operations	44,974	27,131
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	51,468	40,432
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	71,107	55,760
ATTRIBUTABLE TO:		
Owners of the Company	68,192	52,838
Non-controlling interests	2,915	2,922
	71,107	55,760

Consolidated Statement of Financial Position

31 December 2011

	Notes	2011 HK\$'000	2010 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	425,400	431,813
Prepaid land lease payments	13	169,143	174,217
Rights to use port facilities	14	19,984	19,726
Intangible asset	15	6,020	6,474
Investment in a jointly-controlled entity	18	141,454	141,588
Investment in an associate	19	—	—
Available-for-sale investments	20	10,371	10,634
Prepayments and deposits	21(a)	107,378	107,501
Total non-current assets		879,750	891,953
CURRENT ASSETS			
Securities measured at fair value through profit or loss	22	413,730	270,383
Inventories	23	4,241	3,196
Trade receivables	24	39,324	37,986
Prepayments, deposits and other receivables	21(b)	23,828	13,076
Due from a jointly-controlled entity	25	—	1,490
Due from related companies	26	513	964
Restricted bank balance	27	1,727	823
Cash and cash equivalents	27	249,470	314,228
Total current assets		732,833	642,146
CURRENT LIABILITIES			
Trade payables	28	22,451	21,729
Accrued liabilities and other payables		106,974	93,576
Construction payables	29	8,588	14,334
Tax payable		10,198	10,325
Due to a jointly-controlled entity	25	354	—
Due to related companies	26	3,704	5,908
Total current liabilities		152,269	145,872
NET CURRENT ASSETS		580,564	496,274
TOTAL ASSETS LESS CURRENT LIABILITIES		1,460,314	1,388,227
NON-CURRENT LIABILITIES			
Deferred tax liabilities	30	23,195	22,215
Net assets		1,437,119	1,366,012
EQUITY			
Equity attributable to owners of the Company			
Issued capital	31	111,860	111,860
Reserves	32(a)	1,305,564	1,237,372
		1,417,424	1,349,232
Non-controlling interests		19,695	16,780
Total equity		1,437,119	1,366,012

Chen Yuanhe
Director

Gu Zengcai
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	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
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
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	–	–	–	–	–	(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
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
Profit for the year	–	–	–	–	–	–	–	–	17,638	17,638	2,001	19,639
Other comprehensive income for the year												
Changes in fair value of available-for-sale investments	–	–	–	–	–	(300)	–	–	–	(300)	–	(300)
Deficit on property revaluation, net of tax	–	–	–	–	(817)	–	–	–	–	(817)	–	(817)
Share of changes in exchange reserve of a jointly-controlled entity	–	–	–	–	–	–	–	7,611	–	7,611	–	7,611
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	44,060	–	44,060	914	44,974
Total comprehensive income for the year	–	–	–	–	(817)	(300)	–	51,671	17,638	68,192	2,915	71,107
Transfer to statutory reserve funds	–	–	–	–	–	–	5,638	–	(5,638)	–	–	–
Share of reserve movement of a jointly-controlled entity	–	–	–	–	–	–	3,773	–	(3,773)	–	–	–
At 31 December 2011	111,860	459,870	446,355	(200,573)	40,482	3,800	117,868	231,951	205,811	1,417,424	19,695	1,437,119

* These reserve accounts comprise the consolidated reserves of HK\$1,305,564,000 (2010: HK\$1,237,372,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 HK\$'000	2010 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		33,451	23,804
Adjustments for:			
Share of profits and losses of a jointly-controlled entity		(21,371)	(26,830)
Interest income	5	(4,159)	(1,240)
Dividend income from listed equity investments	5	(785)	(667)
Dividend income from unlisted investment funds	5	(697)	(14,444)
Depreciation	6	37,309	31,520
Amortisation of prepaid land lease payments	6	7,366	7,313
Amortisation of rights to use port facilities	6	687	664
Loss on disposal and write-off of items of property, plant and equipment	6	6,967	210
Impairment of trade receivables	6	1,552	639
Impairment of a non-current deposit	6	—	30,000
Impairment of an intangible asset	6	739	—
		61,059	50,969
Increase in securities measured at fair value through profit or loss		(143,347)	(84,036)
Increase in inventories		(1,045)	(276)
Increase in trade receivables		(2,890)	(15,160)
Decrease/(increase) in prepayments, deposits and other receivables		(10,551)	53,360
Movements in balances with a jointly-controlled entity		1,844	1,755
Increase in trade payables		722	2,051
Increase in accrued liabilities and other payables		13,398	12,264
Increase/(decrease) in construction payables		(5,746)	9,741
Movements in balances with related companies		(1,753)	19,069
Cash generated from/(used in) operations		(88,309)	49,737
Overseas taxes paid		(12,686)	(7,756)
Dividend received		1,482	15,111
Net cash flows from/(used in) operating activities		(99,513)	57,092

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2011

	<i>Notes</i>	2011 HK\$'000	2010 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		4,159	1,240
Dividend received from a jointly-controlled entity	18	29,116	—
Purchases of items of property, plant and equipment		(19,099)	(24,444)
Proceeds from disposal of items of property, plant and equipment		231	4,304
Increase in restricted bank balance		(904)	(823)
Increase in time deposits with original maturity of over three months when acquired		(25,904)	—
Net cash flows used in investing activities		(12,401)	(19,723)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		314,228	269,279
Effect of foreign exchange rate changes, net		21,252	7,580
CASH AND CASH EQUIVALENTS AT END OF YEAR		223,566	314,228
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	198,565	279,548
Non-pledged time deposits with original maturity of less than three months when acquired	27	25,001	34,680
Non-pledged time deposits with original maturity of over three months when acquired	27	25,904	—
Cash and cash equivalents as stated in the consolidated statement of financial position		249,470	314,228
Less: Time deposits with original maturity of over three months when acquired	27	(25,904)	—
Cash and cash equivalents as stated in the consolidated statement of cash flows		223,566	314,228

Statement of Financial Position

31 December 2011

	Notes	2011 HK\$'000	2010 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	51	225
Investments in subsidiaries	17	1,166,518	1,087,564
Available-for-sale investment	20	9,600	9,900
Deposit	21(a)	—	—
Total non-current assets		1,176,169	1,097,689
CURRENT ASSETS			
Securities measured at fair value through profit or loss	22	2,469	3,708
Prepayments, deposits and other receivables	21(b)	1,131	1,008
Cash and cash equivalents	27	33,200	113,617
Total current assets		36,800	118,333
CURRENT LIABILITIES			
Accrued liabilities and other payables		8,364	7,798
NET CURRENT ASSETS		28,436	110,535
Net assets		1,204,605	1,208,224
EQUITY			
Issued capital	31	111,860	111,860
Reserves	32(b)	1,092,745	1,096,364
Total equity		1,204,605	1,208,224

Chen Yuanhe
Director

Gu Zengcai
Director

Notes to Financial Statements

31 December 2011

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.

Notes to Financial Statements *(Continued)*

31 December 2011

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 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 (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. The Formal Agreement has not been entered into among Zhu Kuan Macau, Zhuhai Jiuzhou Tourism Group and Longway up to the approval date of these financial statements.

The Company was informed by Longway that the winding-up proceedings in respect of PIV brought in the British Virgin Islands by the above provisional liquidators were withdrawn and set aside in October 2011. Longway has been taking steps to ascertain whether there is any impediment to the transfer of the PIV Charged Shares.

Notes to Financial Statements *(Continued)*

31 December 2011

2.1 Corporate Update *(Continued)*

Since the Debt Restructuring Agreement is completed and all steps have been taken for completing the Settlement Agreement and for the Framework Agreement to be entered 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

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 2011. 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.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Total comprehensive income within a subsidiary is 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.

Notes to Financial Statements *(Continued)*

31 December 2011

2.3 Changes in Accounting Policy and Disclosures

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

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation — Classification of Rights Issues</i>
HK(IFRIC)Int 14 Amendments	Amendments to HK(IFRIC)Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)Int 19 <i>Improvements to HKFRSs 2010</i>	<i>Extinguishing Financial Liabilities with Equity Instruments</i> Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 37 to the financial statements.

Notes to Financial Statements *(Continued)*

31 December 2011

2.3 Changes in Accounting Policy and Disclosures *(Continued)*

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- *HKFRS 3 Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- *HKAS 1 Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.
- *HKAS 27 Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

Notes to Financial Statements (*Continued*)

31 December 2011

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	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ¹
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Transfers of Financial Assets</i> ¹
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities</i> ⁴
HKFRS 9	<i>Financial Instruments</i> ⁶
HKFRS 10	<i>Consolidated Financial Statements</i> ⁴
HKFRS 11	<i>Joint Arrangements</i> ⁴
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> ⁴
HKFRS 13	<i>Fair Value Measurement</i> ⁴
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income</i> ³
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes — Deferred Tax: Recovery of Underlying Assets</i> ²
HKAS 19 (2011)	<i>Employee Benefits</i> ⁴
HKAS 27 (2011)	<i>Separate Financial Statements</i> ⁴
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> ⁴
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities</i> ⁵
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> 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

⁵ Effective for annual periods beginning on or after 1 January 2014

⁶ Effective for annual periods beginning on or after 1 January 2015

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.

Notes to Financial Statements *(Continued)*

31 December 2011

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 rate 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 shareholder's 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.

Notes to Financial Statements *(Continued)*

31 December 2011

2.5 Summary of Significant Accounting Policies *(Continued)*

Joint ventures

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

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

A joint venture is treated as:

- (a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;
- (c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or
- (d) an equity investment accounted for in accordance with HKAS 39, 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.

Notes to Financial Statements *(Continued)*

31 December 2011

2.5 Summary of Significant Accounting Policies *(Continued)*

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.

Business combinations and goodwill

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 Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. 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 will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

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 identifiable net 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 the consolidated income statement as a gain on bargain purchase.

Notes to Financial Statements *(Continued)*

31 December 2011

2.5 Summary of Significant Accounting Policies *(Continued)*

Business combinations and goodwill *(Continued)*

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.

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

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

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

Impairment of non-financial assets

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

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.

Notes to Financial Statements *(Continued)*

31 December 2011

2.5 Summary of Significant Accounting Policies *(Continued)*

Impairment of non-financial assets *(Continued)*

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

or

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

Notes to Financial Statements *(Continued)*

31 December 2011

2.5 Summary of Significant Accounting Policies *(Continued)*

Property, plant and equipment and depreciation

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

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

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

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

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Construction in progress represents items of property, plant and equipment 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.

Notes to Financial Statements *(Continued)*

31 December 2011

2.5 Summary of Significant Accounting Policies *(Continued)*

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 lessor to sub-lease the leased assets under operating leases, such rental receivables under 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 straightline basis over the lease terms.

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.

Notes to Financial Statements *(Continued)*

31 December 2011

2.5 Summary of Significant Accounting Policies *(Continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial 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 transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that 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, restricted bank balance, available-for-sale investments, securities measured at fair value through profit or loss, trade receivables, deposits and other receivables and amounts due from a jointly-controlled entity and related companies.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in other income and gains or finance costs 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, in rare circumstances, 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. 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. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation as these instruments cannot be reclassified after initial recognition.

Notes to Financial Statements *(Continued)*

31 December 2011

2.5 Summary of Significant Accounting Policies *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

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

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 for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments 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 financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation 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, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments 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 investments 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 investments are stated at cost less any impairment losses.

Notes to Financial Statements *(Continued)*

31 December 2011

2.5 Summary of Significant Accounting Policies *(Continued)*

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 occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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 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 write-off is later recovered, the recovery is credited to other expenses in the income statement.

Notes to Financial Statements *(Continued)*

31 December 2011

2.5 Summary of Significant Accounting Policies *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial investments

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

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

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

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.

Notes to Financial Statements *(Continued)*

31 December 2011

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, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, 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 plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, construction payables and amounts due to a jointly-controlled entity and related companies.

Subsequent measurement

The subsequent 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 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.

Notes to Financial Statements *(Continued)*

31 December 2011

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; option pricing models and 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 statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Notes to Financial Statements *(Continued)*

31 December 2011

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 jurisdictions 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:

- when 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, associates and joint ventures, when 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.

Notes to Financial Statements *(Continued)*

31 December 2011

2.5 Summary of Significant Accounting Policies *(Continued)*

Income tax *(Continued)*

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

- when 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, associates and joint ventures, 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.

Notes to Financial Statements *(Continued)*

31 December 2011

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 arising on settlement or translation of monetary items 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 gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on item whose fair value gain or loss is recognised in other comprehensive income or income statement is also recognised in other comprehensive income or income statement, respectively).

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.

Notes to Financial Statements *(Continued)*

31 December 2011

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.

Notes to Financial Statements *(Continued)*

31 December 2011

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 described 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 2011 was HK\$319,724,000 (2010: HK\$321,769,000) (note 12).

Notes to Financial Statements *(Continued)*

31 December 2011

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. The profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income is excluded from such measurement.

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

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

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

Notes to Financial Statements (Continued)

31 December 2011

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 2011 and 2010.

	Hotel		Tourist attraction		Provision of port facilities and ticketing services		Corporate and others		Consolidated	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Segment revenue:										
Sales to external customers	166,870	144,304	58,992	57,162	67,491	57,231	—	—	293,353	258,697
Segment results	1,587	714	(587)	2,079	30,405	28,812	(23,484)	(35,871)	7,921	(4,266)
Interest income									4,159	1,240
Share of profits and losses of a jointly-controlled entity	—	—	—	—	21,371	26,830	—	—	21,371	26,830
Profit before tax									33,451	23,804
Income tax expense									(13,812)	(8,476)
Profit for the year									19,639	15,328
Assets and liabilities:										
Segment assets	426,598	446,352	437,246	407,236	135,215	130,431	471,557	407,528	1,470,616	1,391,547
Investment in a jointly-controlled entity	—	—	—	—	141,454	141,588	—	—	141,454	141,588
Unallocated assets									513	964
Total assets									1,612,583	1,534,099
Segment liabilities	77,571	72,824	15,924	14,978	38,110	36,761	10,466	10,984	142,071	135,547
Unallocated liabilities									33,393	32,540
Total liabilities									175,464	168,087
Other segment information:										
Depreciation and amortisation	21,078	15,728	18,791	18,218	5,244	5,220	249	331	45,362	39,497
Capital expenditure	14,965	21,522	1,190	422	2,892	2,442	52	58	19,099	24,444
Loss on disposal and write-off of items of property, plant and equipment	3,869	162	305	48	2,793	—	—	—	6,967	210
Net fair value losses/(gains) on securities measured at fair value through profit or loss	—	—	—	—	—	—	6,398	(2,889)	6,398	(2,889)
Gain on disposal of securities measured at fair value through profit or loss	—	—	—	—	—	—	(1,069)	(6,587)	(1,069)	(6,587)
Impairment of an intangible asset	739	—	—	—	—	—	—	—	739	—
Impairment of trade receivables	1,068	639	438	—	46	—	—	—	1,552	639
Impairment of a non-current deposit	—	—	—	—	—	—	—	30,000	—	30,000

Notes to Financial Statements *(Continued)*

31 December 2011

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:

	2011	2010
	HK\$'000	HK\$'000
Revenue		
Sale of goods and provision of services	293,353	258,697
Other income and gains, net		
Interest income	4,159	1,240
Net fair value gains/(losses) on securities measured at fair value through profit or loss	(6,398)	2,889
Gains on disposal of securities measured at fair value through profit or loss	1,069	6,587
Dividend income from listed equity investments	785	667
Dividend income from unlisted investment funds	697	14,444
Gross rental income	12,114	10,086
Foreign exchange differences, net	4,767	3,450
Others	2,600	2,669
	19,793	42,032
	313,146	300,729

Notes to Financial Statements (Continued)

31 December 2011

6. Profit Before Tax

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

	2011 HK\$'000	2010 HK\$'000
Cost of inventories sold	48,030	39,858
Cost of services provided*	165,072	158,145
Depreciation	37,309	31,520
Amortisation of prepaid land lease payments	7,366	7,313
Amortisation of rights to use port facilities	687	664
Minimum lease payments under operating leases in respect of land and buildings	9,179	16,272
Auditors' remuneration	830	740
Employee benefit expenses (including directors' remuneration — note 7):		
Wages and salaries	81,646	72,933
Pension scheme contributions	6,535	5,414
	88,181	78,347
Loss on disposal and write-off of items of property, plant and equipment**	6,967	210
Net fair value losses/(gains) on securities measured at fair value through profit or loss	6,398	(2,889)
Gains on disposals of securities measured at fair value through profit or loss	(1,069)	(6,587)
Impairment of trade receivables	1,552	639
Impairment of a non-current deposit	—	30,000
Impairment of an intangible asset	739	—
Foreign exchange differences, net	(4,767)	(3,450)

* Cost of services provided includes an amount of HK\$106,246,000 (2010: HK\$102,287,000) 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.

Notes to Financial Statements *(Continued)*

31 December 2011

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 "Stock Exchange") (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2011 HK\$'000	2010 HK\$'000
Fees		
— Independent non-executive directors	600	600
— Non-executive director	200	200
	800	800
Salaries, allowances and benefits in kind	214	269
Performance related bonuses	349	148
Pension scheme contributions	81	76
	644	493
	1,444	1,293

(a) Independent non-executive directors

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

	2011 HK\$'000	2010 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 (2010: Nil).

Notes to Financial Statements (Continued)

31 December 2011

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
2011					
Executive directors:					
Mr. Chen Yuanhe	—	—	—	—	—
Mr. Gu Zengcai	—	—	—	—	—
Mr. Huang Xin	—	214	349	81	644
Mr. Mo Nenglin	—	—	—	—	—
Mr. lan Zhongdang	—	—	—	—	—
Mr. Ye Yuhong	—	—	—	—	—
Mr. Li Wenjun	—	—	—	—	—
	—	214	349	81	644
Non-executive director:					
Mr. Liang Han	200	—	—	—	200
	200	214	349	81	844
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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

Notes to Financial Statements *(Continued)*

31 December 2011

7. Directors' Remuneration and Five Highest Paid Employees *(Continued)*

Five highest paid employees

The five highest paid employees during the year included one (2010: one) director, details of whose remuneration are set out above. Details of the remuneration of the remaining four (2010: four) non-director, highest paid employees for the year are as follows:

	Group	
	2011 HK\$'000	2010 HK\$'000
Salaries, allowances and benefits in kind	1,799	1,778
Pension scheme contributions	117	114
	1,916	1,892

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

	Number of employees	
	2011	2010
Nil to HK\$1,000,000	3	3
HK\$1,000,001 to HK\$1,500,000	1	1
	4	4

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

Notes to Financial Statements (Continued)

31 December 2011

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 (2010: Nil). The Group's subsidiaries located in Mainland China are subject to the PRC income tax rate of 24% (2010: 22%).

	Group	
	2011 HK\$'000	2010 HK\$'000
Group:		
Current		
— Hong Kong	—	—
— PRC	9,647	6,593
Deferred (note 30)	4,165	1,883
Total tax charge for the year	13,812	8,476

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the 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	
	2011 HK\$'000	2010 HK\$'000
Profit before tax	33,451	23,804
Tax at the statutory tax rates	9,707	9,709
Lower tax rates for specific provinces or enacted by local authorities	(526)	(2,074)
Profits and losses attributable to a jointly-controlled entity	(5,129)	(5,902)
Income not subject to tax	(1,317)	(4,396)
Expenses not deductible for tax	5,384	8,252
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries and a jointly-controlled entity	4,165	1,883
Tax losses not recognised	1,528	1,004
Tax charge at the Group's effective tax rate	13,812	8,476

Notes to Financial Statements *(Continued)*

31 December 2011

8. Income Tax *(Continued)*

The share of tax attributable to a jointly-controlled entity amounting to approximately HK\$8,083,000 (2010: HK\$6,662,000) 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 (2010: 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 rates 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 preferential income tax rate of 15% pertaining to the Group's subsidiaries operated in Mainland China would 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 24% (2010: 22%).

9. Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company for the year ended 31 December 2011 includes a loss of approximately HK\$10,319,000 (2010: HK\$38,084,000) which has been dealt with in the financial statements of the Company (note 32(b)).

10. Dividends

	2011 HK\$'000	2010 HK\$'000
Proposed final dividend – HK1 cent (2010: Nil) per ordinary share	11,186	–
Proposed special dividend – HK1 cent (2010: Nil) per ordinary share	11,186	–
	22,372	–

The proposed final and special dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the dividends payable.

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\$17,638,000 (2010: HK\$12,982,000) and the number of ordinary shares in issue during the year of 1,118,600,000 (2010: 1,118,600,000).

No adjustment has been made to the basic earnings per share presented for the years ended 31 December 2011 and 2010 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

Notes to Financial Statements (Continued)

31 December 2011

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 2011				
At 1 January 2011:				
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
At 1 January 2011, net of accumulated depreciation	14,675	321,769	95,369	431,813
Additions	14,802	24	4,273	19,099
Disposals and write-off	(6,406)	—	(792)	(7,198)
Deficit on revaluation	—	(1,090)	—	(1,090)
Depreciation provided during the year	—	(16,095)	(21,214)	(37,309)
Transfers	(10,247)	—	10,247	—
Exchange realignment	611	15,116	4,358	20,085
At 31 December 2011, net of accumulated depreciation	13,435	319,724	92,241	425,400
At 31 December 2011:				
Cost or valuation	13,435	319,724	305,730	638,889
Accumulated depreciation	—	—	(213,489)	(213,489)
Net carrying amount	13,435	319,724	92,241	425,400
Analysis of cost or valuation:				
At cost	13,435	—	305,730	319,165
At 31 December 2011 valuation	—	319,724	—	319,724
	13,435	319,724	305,730	638,889

Notes to Financial Statements *(Continued)*

31 December 2011

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 2010				
At 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

Notes to Financial Statements (Continued)

31 December 2011

12. Property, Plant and Equipment (Continued)

Company

	Furniture, fixtures, equipment, motor vehicles and leasehold improvements HK\$'000
31 December 2011	
At 1 January 2011:	
Cost	2,685
Accumulated depreciation	(2,460)
Net carrying amount	225
At 1 January 2011, net of accumulated depreciation	225
Additions	52
Disposals	—
Depreciation provided during the year	(226)
At 31 December 2011, net of accumulated depreciation	51
At 31 December 2011:	
Cost	2,685
Accumulated depreciation	(2,634)
Net carrying amount	51
31 December 2010	
At 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

Notes to Financial Statements *(Continued)*

31 December 2011

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\$13,815,000 (2010: HK\$11,350,000) as at 31 December 2011.

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\$305,909,000 (2010: HK\$310,419,000) as at 31 December 2011.

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\$193,243,000 (2010: HK\$204,127,000).

13. Prepaid Land Lease Payments

	Group	
	2011	2010
	HK\$'000	HK\$'000
Carrying amount at beginning of year	181,583	187,161
Amortisation recognised during the year	(7,366)	(7,313)
Exchange realignment	2,370	1,735
Carrying amount at end of year	176,587	181,583
Current portion included in prepayments, deposits and other receivables	(7,444)	(7,366)
Non-current portion	169,143	174,217

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

Notes to Financial Statements (Continued)

31 December 2011

14. Rights to Use Port Facilities

	Group HK\$'000
31 December 2011	
At 1 January 2011:	
Cost	27,198
Accumulated amortisation	(7,472)
Net carrying amount	19,726
At 1 January 2011, net of accumulated amortisation	19,726
Amortisation recognised during the year	(687)
Exchange realignment	945
At 31 December 2011, net of accumulated amortisation	19,984
At 31 December 2011:	
Cost	32,786
Accumulated amortisation	(12,802)
Net carrying amount	19,984
31 December 2010	
At 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

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)).

Notes to Financial Statements *(Continued)*

31 December 2011

15. Intangible Asset

	Group HK\$'000
31 December 2011	
At 1 January 2011:	
Cost	27,035
Accumulated impairment	(20,561)
Net carrying amount	6,474
At 1 January 2011, net of accumulated impairment	6,474
Impairment during the year	(739)
Exchange realignment	285
At 31 December 2011	6,020
At 31 December 2011:	
Cost	28,377
Accumulated impairment	(22,357)
Net carrying amount	6,020
31 December 2010	
At 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

Notes to Financial Statements (Continued)

31 December 2011

15. Intangible Asset (Continued)

The balance represents the carrying amount of the 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 2011 and 2010 was determined by the Group with reference to the open market basis assessed by Castores and approximated to its carrying value.

16. Goodwill

As detailed in note 2.5 to the financial statements, the Group applied the transitional provisions of HKFRS 3 (Revised) 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 2011 and 2010, 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	
	2011	2010
	HK\$'000	HK\$'000
Unlisted shares, at cost	892,808	892,808
Due from subsidiaries	273,710	194,756
	1,166,518	1,087,564

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.

Notes to Financial Statements *(Continued)*

31 December 2011

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. <i>(note a)</i>	PRC/ Mainland China	HK\$184,880,000	—	100	Management of a holiday resort
The New Yuanming Palace Tourist Co., Ltd. of Zhuhai S.E.Z. <i>(note a)</i>	PRC/ Mainland China	RMB60,000,000	—	100	Management of a theme park
珠海水上娛樂有限公司 <i>(note a)</i>	PRC/ Mainland China	RMB22,500,000	—	100	Management of an amusement park
Jiuzhou Port Company <i>(note b)</i>	PRC/ Mainland China	RMB42,330,000	—	90	Provision of port facilities and ticketing services

Notes:

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

The statutory financial statements of the subsidiaries listed above were not audited by Ernst & Young, Hong Kong or 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.

Notes to Financial Statements (Continued)

31 December 2011

18. Investment in a Jointly-Controlled Entity

	Group	
	2011	2010
	HK\$'000	HK\$'000
Share of net assets of an unlisted jointly-controlled entity	141,454	141,588

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

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

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

During the year, the Group received dividend income amounting to HK\$29,116,000 (2010: Nil) from Ferry Company.

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

	2011	2010
	HK\$'000	HK\$'000
Share of the jointly-controlled entity's assets and liabilities		
Non-current assets	84,745	96,642
Current assets	99,240	88,395
Current liabilities	(34,712)	(35,630)
Non-current liabilities	(7,819)	(7,819)
Net assets	141,454	141,588

Notes to Financial Statements (Continued)

31 December 2011

18. Investment in a Jointly-Controlled Entity (Continued)

	2011 HK\$'000	2010 HK\$'000
Share of the jointly-controlled entity's results		
Revenue	199,589	160,081
Other income	2,187	3,759
Total revenue	201,776	163,840
Total expenses	(172,322)	(130,348)
Income tax expense	(8,083)	(6,662)
Profit after tax	21,371	26,830

19. Investment in an Associate

	Group	
	2011 HK\$'000	2010 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.

Notes to Financial Statements (Continued)

31 December 2011

20. Available-for-sale Investments

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Hong Kong listed equity investment, at fair value	9,600	9,900	9,600	9,900
Unlisted equity investment, at cost	771	734	—	—
	10,371	10,634	9,600	9,900

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.

There has been a decrease in the market value of the Hong Kong listed equity investment and the decrease of HK\$300,000 (2010: HK\$700,000) was included in other comprehensive expense during the year ended 31 December 2011.

21. Prepayments, Deposits and Other Receivables

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

	Notes	2011 HK\$'000	2010 HK\$'000
Group			
Rental prepayments		4,139	4,262
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)	—	—
		107,378	107,501
Company			
Deposit for the proposed acquisition of a subsidiary	(ii)	—	—

Notes to Financial Statements *(Continued)*

31 December 2011

21. Prepayments, Deposits and Other Receivables *(Continued)*

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

Notes:

- (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 of land use rights 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, were 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 2010 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 related land use right certificate.

Notes to Financial Statements *(Continued)*

31 December 2011

21. Prepayments, Deposits and Other Receivables *(Continued)*

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

Notes: (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 "Intended 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 then owned 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 Intended Vendor in connection with the Proposed Acquisition during 2008. The Earnest Money was secured by, among others, a charge created in favour of the Group by the Intended Vendor over the Intended Vendor's 80% equity interest in the Target Company. As a separate term of the Letter of Intent, the Intended 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 would have the right to demand full refund of the Earnest Money if the Proposed Acquisition is 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 Intended 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 Intended 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 procuring the financial data of the Target Company and the PRC Entity and the company chops of the PRC Entity from the Intended Vendor. However, the Intended Vendor refused to act in accordance with the Injunction. Having consulted with the Group's legal advisors, the directors consider that the Intended Vendor does not have sufficient grounds for his refusal to refund the Earnest Money to the Company. However, management is uncertain whether the Intended Vendor will act in accordance with the judgement from the High Court considering the Intended 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 fully impaired during the year ended 31 December 2010.

Notes to Financial Statements (Continued)

31 December 2011

21. Prepayments, Deposits and Other Receivables (Continued)

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

	2011 HK\$'000	2010 HK\$'000
Group:		
Prepayments	11,504	8,566
Deposits and other receivables	12,324	4,510
	23,828	13,076
Company:		
Prepayments	174	—
Deposits and other receivables	957	1,008
	1,131	1,008

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.

22. Securities Measured at Fair Value Through Profit or Loss

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Listed equity investments in Hong Kong, at fair value	2,469	3,708	2,469	3,708
Listed equity investments in the PRC, at fair value	551	—	—	—
Unlisted equity investments in the PRC, at fair value	—	332	—	—
Unlisted investment funds in the PRC, at fair value	410,710	266,343	—	—
	413,730	270,383	2,469	3,708

The above investments at 31 December 2011 and 2010 were classified as held for trading upon initial recognition.

Notes to Financial Statements (Continued)

31 December 2011

23. Inventories

	Group	
	2011 HK\$'000	2010 HK\$'000
Food, beverages and souvenirs held for resale	4,241	3,196

24. Trade Receivables

	Group	
	2011 HK\$'000	2010 HK\$'000
Trade receivables	42,965	39,923
Impairment	(3,641)	(1,937)
	39,324	37,986

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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Overdue balances are regularly reviewed by senior management. Trade receivables are non-interest-bearing.

As at 31 December 2011, the Group had a receivable from the Zhuhai Municipal Government arising from the use of the Group's hotel facilities amounting to approximately HK\$26,990,000 (2010: HK\$23,254,000) which accounted for approximately 68% (2010: 61%) of the total trade receivables 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	
	2011 HK\$'000	2010 HK\$'000
Current to 3 months	23,554	23,521
4 to 6 months	2,738	1,749
7 to 12 months	9,391	5,523
Over 12 months	3,641	7,193
	39,324	37,986

Notes to Financial Statements *(Continued)*

31 December 2011

24. Trade Receivables *(Continued)*

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

	Group	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of year	1,937	1,251
Impairment losses recognised <i>(note 6)</i>	1,552	639
Amount written off as uncollectible	—	(20)
Exchange realignment	152	67
	3,641	1,937

Included in the above impairment allowance for trade receivables is an allowance for individually impaired trade receivables of approximately HK\$2,780,000 (2010: HK\$1,937,000) with a gross carrying amount before provision of approximately HK\$2,780,000 (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 aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	34,835	36,701
Less than 1 year past due	5,350	769
	40,185	37,470

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.

Notes to Financial Statements (Continued)

31 December 2011

25. Balances with a Jointly-Controlled Entity

The balances with a jointly-controlled entity are 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 2011 HK\$'000	Maximum amount outstanding during the year HK\$'000	At 31 December 2010 HK\$'000
珠澳旅遊集散中心*	467	857	857
珠海市九洲郵輪有限公司*	32	107	107
珠海九洲旅遊開發有限公司*	14	14	—
Macau-Mondial Travel & Tours Ltd. ("Macau-Mondial")**	5,398	5,398	5,398
Zhuhai Special Economic Zone Hotel ("Zhuhai SEZ Hotel")**	458	458	458
	6,369		6,820
Impairment	(5,856)		(5,856)
	513		964

* 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 impairment in respect of the amounts had been made in prior years.

The balances with related companies are unsecured, interest-free and repayable on demand.

Notes to Financial Statements *(Continued)*

31 December 2011

27. Restricted Bank Balance and Cash and Cash Equivalents

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Cash and bank balances including				
restricted bank balance	200,292	280,371	8,199	103,615
Less: Restricted bank balance <i>(note (a))</i>	(1,727)	(823)	—	—
	198,565	279,548	8,199	103,615
Time deposits with original maturity				
of less than three months	25,001	34,680	25,001	10,002
Time deposits with original maturity				
of over three months	25,904	—	—	—
	249,470	314,228	33,200	113,617

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\$213,165,000 (2010: HK\$282,093,000). 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.

Notes to Financial Statements (Continued)

31 December 2011

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	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	18,932	18,410
4 to 6 months	16	170
7 to 12 months	61	—
Over 12 months	3,442	3,149
	22,451	21,729

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.

Notes to Financial Statements *(Continued)*

31 December 2011

30. Deferred Tax Liabilities

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

	Revaluation of leasehold buildings <i>HK\$'000</i>	Withholding taxes <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2011			
At 1 January 2011	13,619	8,596	22,215
Deferred tax charged to the income statement during the year (<i>note 8</i>)	—	4,165	4,165
Deferred tax credited to equity during the year	(273)	—	(273)
Withholding tax paid on repatriation of earnings from the jointly-controlled entity	—	(2,912)	(2,912)
At 31 December 2011	13,346	9,849	23,195
31 December 2010			
At 1 January 2010	10,675	6,713	17,388
Deferred tax charged to the income statement during the year (<i>note 8</i>)	—	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

The Group has tax losses arising in Hong Kong of approximately HK\$77,582,000 (2010: HK\$68,321,000) 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.

Notes to Financial Statements (Continued)

31 December 2011

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\$7,600,000 at 31 December 2011 (2010: HK\$7,469,000).

31. Share Capital

Shares	2011 HK\$'000	2010 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

32. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2011 and 2010 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 (2010: HK\$200,573,000) remains eliminated against consolidated reserves, as further explained in note 16 to the financial statements.

Notes to Financial Statements *(Continued)*

31 December 2011

32. Reserves *(Continued)*

(b) Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Available- for-sale investment revaluation reserve HK\$'000 <i>(note 20)</i>	Retained profits HK\$'000	Total HK\$'000
At 1 January 2010	459,870	628,440	4,800	3,638	1,096,748
Profit for the year <i>(note 9)</i>	—	—	—	316	316
Changes in fair value of available-for-sale investments	—	—	(700)	—	(700)
Total comprehensive income/ (expense) for the year	—	—	(700)	316	(384)
At 31 December 2010 and 1 January 2011	459,870	628,440	4,100	3,954	1,096,364
Loss for the year <i>(note 9)</i>	—	—	—	(3,319)	(3,319)
Changes in fair value of available-for-sale investments	—	—	(300)	—	(300)
Total comprehensive expense for the year	—	—	(300)	(3,319)	(3,619)
At 31 December 2011	459,870	628,440	3,800	635	1,092,745

The loss of HK\$3,319,000 (2010: HK\$316,000) for the year ended 31 December 2011 included dividend income of HK\$7,000,000 (2010: HK\$38,400,000) from a subsidiary of the Company.

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.

Notes to Financial Statements *(Continued)*

31 December 2011

33. Share Option Scheme

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

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

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

Notes to Financial Statements *(Continued)*

31 December 2011

33. Share Option Scheme *(Continued)*

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon the payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors 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.

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

During the years ended 31 December 2011 and 2010, no share options have lapsed or have been granted, exercised or cancelled under the Scheme. Moreover, the Company had no share options outstanding as at 31 December 2011 and 2010.

34. Contingent Liabilities

At the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities (2010: Nil).

Notes to Financial Statements (Continued)

31 December 2011

35. Operating Lease Arrangements

(a) As lessor

The Group leases certain of its leasehold buildings and sub-leases certain of its leased premises 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	
	2011 HK\$'000	2010 HK\$'000
Within one year	20,325	16,769
In the second to fifth years, inclusive	32,894	31,869
After five years	18,272	20,613
	71,491	69,251

(b) As lessee

The Group leases certain of its office premises, the hotel and port properties and facilities under operating lease arrangements. Leases are negotiated for original terms ranging from 1 to 40 years (2010: 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	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Within one year	6,359	14,983	1,722	598
In the second to fifth years inclusive	9,541	36,421	723	—
After five years	14,770	237,802	—	—
	30,670	289,206	2,445	598

Notes to Financial Statements *(Continued)*

31 December 2011

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	
	2011	2010
	HK\$'000	HK\$'000
Contracted, but not provided for:		
Acquisitions of items of property, plant and equipment	13,895	9,866

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	<i>Notes</i>	Nature	2011	2010
			HK\$'000	HK\$'000
Zhuhai Holiday Resort Co., Ltd. (the "Resort Company")	<i>(i)</i>	Rental expenses	—	8,500
Ferry Company	<i>(ii)</i>	Port service fees	42,907	33,763
Zhuhai Jiuzhou Tourism Group	<i>(iii)</i>	Rental expenses	4,664	4,507
China Marine Bunker Supply Company Jiuzhou Branch	<i>(iv)</i>	Diesel fuel expenses	7,135	6,245
Zhuhai Jiuzhou Port Petrol-Filling Station Co., Ltd.	<i>(v)</i>	Petrol expenses	1,268	998

Notes to Financial Statements (Continued)

31 December 2011

37. Related Party Transactions (Continued)

(a) Notes:

- (i) The rental expenses paid to the Resort Company, a subsidiary of Zhu Kuan Macau, was calculated based on the terms of the tenancy agreement 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.

During the year ended 31 December 2011, the Resort Company waived the annual rental expenses of the Company amounting to HK\$8,500,000 for the year ended 31 December 2011 and the remaining leasing periods of the tenancy agreement.

- (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\$605,000) 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\$822,000) 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\$887,000) 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\$1,011,000) for a period of two years starting from 1 January 2010;
- (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\$763,000) for a period of three years starting from 1 December 2008; and
- (6) 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 a lease agreement for certain office premises at a monthly rental of approximately RMB41,000 (equivalent to approximately HK\$48,000) for a period of two years starting from 1 January 2010.

Notes to Financial Statements *(Continued)*

31 December 2011

37. Related Party Transactions *(Continued)*

(a) Notes: *(Continued)*

- (iv) The diesel fuel expenses paid to China Marine Bunker Supply Company Jiuzhou Branch, which is a subsidiary of Zhuhai Jiuzhou Tourism Group, were determined with reference to the diesel fuel supply agreement.
- (v) The petrol expenses paid to Zhuhai Jiuzhou Port Petrol-Filling Station Co., Ltd., which is a subsidiary of Zhuhai Jiuzhou Tourism Group, were determined with reference to the petrol 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).

(c) Outstanding balances with a related party

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

	2011	2010
	HK\$'000	HK\$'000
Short term employee benefits	2,115	1,932
Post-employment benefits	186	179
Total compensation paid to key management personnel	2,301	2,111

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".

Notes to Financial Statements (Continued)

31 December 2011

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:

2011

Financial assets	Financial assets at fair value through profit or loss HK\$'000	Group		Total HK\$'000
		Loans and receivables HK\$'000	Available-for-sale financial assets HK\$'000	
Available-for-sale investments	—	—	10,371	10,371
Securities measured at fair value through profit or loss	413,730	—	—	413,730
Trade receivables	—	39,324	—	39,324
Financial assets included in prepayments, deposits and other receivables	—	12,324	—	12,324
Due from related companies	—	513	—	513
Restricted bank balance	—	1,727	—	1,727
Cash and cash equivalents	—	249,470	—	249,470
	413,730	303,358	10,371	727,459

Financial liabilities	Financial liabilities at amortised cost HK\$'000
Trade payables	22,451
Financial liabilities included in accrued liabilities and other payables	106,974
Construction payables	8,588
Due to a jointly-controlled entity	354
Due to related companies	3,704
	142,071

Notes to Financial Statements *(Continued)*

31 December 2011

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

Financial assets	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Group		Available-for-sale financial assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
		Loans and receivables <i>HK\$'000</i>			
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 <i>HK\$'000</i>
Trade payables					21,729
Financial liabilities included in accrued liabilities and other payables					93,576
Construction payables					14,334
Due to related companies					5,908
					135,547

Notes to Financial Statements (Continued)

31 December 2011

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)

2011

Financial assets	Financial assets at fair value through profits or loss HK\$'000	Company		Total HK\$'000
		Loans and receivables HK\$'000	Available-for-sale financial asset HK\$'000	
Available-for-sale investment	—	—	9,600	9,600
Securities measured at fair value through profit or loss	2,469	—	—	2,469
Deposits and other receivables	—	957	—	957
Cash and cash equivalents	—	33,200	—	33,200
	2,469	34,157	9,600	46,226

Financial liabilities	Financial liabilities at amortised cost HK\$'000
Financial liabilities included in accrued liabilities and other payables	8,364

Notes to Financial Statements *(Continued)*

31 December 2011

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

Financial assets	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Company		Available-for-sale financial assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
		Loans and receivables <i>HK\$'000</i>			
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 <i>HK\$'000</i>
Financial liabilities included in accrued liabilities and other payables					7,798

Notes to Financial Statements (Continued)

31 December 2011

39. Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values 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 any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

Group	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2011			
Available-for-sale securities:			
Equity investments	9,600	—	9,600
Securities measured at fair value through profit or loss	412,085	1,645	413,730
	421,685	1,645	423,330
As at 31 December 2010			
Available-for-sale securities:			
Equity investments	9,900	—	9,900
Securities measured at fair value through profit or loss	270,383	—	270,383
	280,283	—	280,283

Notes to Financial Statements *(Continued)*

31 December 2011

39. Fair Value Hierarchy *(Continued)*

Company	Level 1 <i>HK\$ '000</i>	Level 2 <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
As at 31 December 2011			
Available-for-sale securities:			
Equity investments	9,600	—	9,600
Securities measured at fair value through profit or loss	824	1,645	2,469
	10,424	1,645	12,069
As at 31 December 2010			
Available-for-sale securities:			
Equity investments	9,900	—	9,900
Securities measured at fair value through profit or loss	3,708	—	3,708
	13,608	—	13,608

As at 31 December 2011, the Group and the Company had no financial instruments measured at fair value under Level 3.

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

During the year ended 31 December 2011, certain securities measured at fair value through profit or loss amounting to HK\$1,645,000 were transferred from Level 1 to Level 2.

During the year ended 31 December 2010, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Notes to Financial Statements *(Continued)*

31 December 2011

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.

(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.

Except for the trade receivable from Zhuhai Municipal Government, 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. 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 and 24, respectively, to the financial statements.

(2) Liquidity risk

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

The Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was either on demand or would mature in less than twelve months.

Notes to Financial Statements *(Continued)*

31 December 2011

40. Financial Risk Management Objectives and Policies

(Continued)

(3) Foreign currency risk

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

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

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in the Group's profit before tax HK\$'000
2011		
If RMB strengthens against Hong Kong dollar	5	120
If RMB weakens against Hong Kong dollar	(5)	(120)
2010		
If RMB strengthens against Hong Kong dollar	5	5,154
If RMB weakens against Hong Kong dollar	(5)	(5,154)

(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 2011. 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.

Notes to Financial Statements (Continued)

31 December 2011

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. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the income statement.

	Carrying amount of securities HK\$'000	Decrease in the Group's profit before tax HK\$'000	Decrease in the Group's equity* HK\$'000
2011			
Investments in:			
Hong Kong			
— Available-for-sale listed equity investment	9,600	—	(1,440)
— Listed equity investments measured at fair value through profit or loss	2,469	(370)	—
Mainland China			
— Unlisted investment funds measured at fair value through profit or loss	410,710	(41,071)	—
2010			
Investments in:			
Hong Kong			
— Available-for-sale listed equity investment	9,900	—	(1,485)
— Listed equity investments measured at fair value through profit or loss	3,708	(556)	—
Mainland China			
— Unlisted investment funds measured at fair value through profit or loss	266,343	(26,634)	—

* Excluding retained profits

Notes to Financial Statements *(Continued)*

31 December 2011

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 costs 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 2011 and 2010.

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 on 30 March 2012.

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 years, as extracted from the published audited financial statements, is set out below.

Results

	Year ended 31 December				
	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000
REVENUE	293,353	258,697	236,829	262,611	238,502
PROFIT BEFORE TAX	33,451	23,804	33,872	26,522	91,488
Income tax expenses	(13,812)	(8,476)	(9,790)	(11,740)	(9,498)
PROFIT FOR THE YEAR	19,639	15,328	24,082	14,782	81,990
Attributable to:					
Owners of the Company	17,638	12,982	22,169	12,374	79,405
Non-controlling interests	2,001	2,346	1,913	2,408	2,585
	19,639	15,328	24,082	14,782	81,990

Assets, Liabilities and Non-controlling Interests

	31 December				
	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000
Total assets	1,612,583	1,534,099	1,446,893	1,417,978	1,361,122
Total liabilities	(175,464)	(168,087)	(134,711)	(136,795)	(128,615)
Non-controlling interests	(19,695)	(16,780)	(15,788)	(13,875)	(10,800)
	1,417,424	1,349,232	1,296,394	1,267,308	1,221,707