INTERIM REPORT 2012

九洲發展有限公司
JIUZHOU DEVELOPMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 908

Contents

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

Company Secretary
Mr. Chan Chit Ming Joeie

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
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Head Office and Principal Place of Business
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ERNST & YOUNG
安 永

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

Introduction

We have reviewed the interim financial statements of Jiuzhou Development Company Limited set out on pages 5 to 30, which comprises the condensed consolidated statement of financial position as at 30 June 2012 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended and explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of interim financial statements to be in compliance with relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

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

Scope of review

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

Conclusion

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

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

31 August 2012

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 HK$'000 (Unaudited)	30 June 2011 HK$'000 (Unaudited)
REVENUE	3	**145,344**	126,588
Cost of Sales		**(104,583)**	(95,129)
Gross profit		**40,761**	31,459
Other income, net		**28,683**	9,552
Selling and distribution costs		**(2,287)**	(2,125)
Administrative expenses		**(41,268)**	(36,781)
Other operating expenses		**(1,860)**	(383)
Share of profit of a jointly-controlled entity		**17,144**	13,603
PROFIT BEFORE TAX	4	**41,173**	15,325
Income tax expense	5	**(10,476)**	(8,380)
PROFIT FOR THE PERIOD		**30,697**	6,945
Attributable to:			
Ordinary equity holders of the Company		**28,767**	5,554
Non-controlling interests		**1,930**	1,391
		30,697	6,945
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		**HK2.57 cents**	HK0.50 cent
Diluted		**N/A**	N/A

Details of the dividends are disclosed in note 6 to the unaudited interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2012

	Six months ended	
	30 June	30 June
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**30,697**	6,945
Other comprehensive income/(expenses):		
Change in fair value of an available-for-sale investment	**1,400**	(2,500)
Exchange realignment on translation of foreign operations attributable to:		
Ordinary equity holders of the Company	**7**	22,198
Non-controlling interests	**(2)**	393
Share of exchange fluctuation reserve of a jointly-controlled entity	**40**	4,945
Other comprehensive income for the period	**1,445**	25,036
Total comprehensive income for the period	**32,142**	31,981
ATTRIBUTABLE TO:		
Ordinary equity holders of the Company	**30,214**	30,197
Non-controlling interests	**1,928**	1,784
	32,142	31,981

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

	Notes	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**414,732**	425,400
Prepaid land lease payments		**165,420**	169,143
Rights to use port facilities		**19,631**	19,984
Intangible asset		**6,020**	6,020
Investment in a jointly-controlled entity		**158,638**	141,454
Investment in an associate		**–**	–
Available-for-sale investments	8	**11,771**	10,371
Prepayments and deposits	9	**107,210**	107,378
Total non-current assets		**883,422**	879,750
CURRENT ASSETS			
Securities measured at fair value through profit or loss	10	**265,055**	413,730
Inventories		**3,833**	4,241
Trade receivables	11	**59,280**	39,324
Prepayments, deposits and other receivables		**21,919**	23,828
Due from a jointly-controlled entity	12	**1,929**	–
Due from related companies	13	**362**	513
Restricted bank balance	14	**1,727**	1,727
Cash and cash equivalents	14	**373,446**	249,470
Total current assets		**727,551**	732,833

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

30 June 2012

	Notes	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
CURRENT LIABILITIES			
Trade payables	15	**20,381**	22,451
Accrued liabilities and other payables		**99,317**	106,974
Construction payables		**6,364**	8,588
Tax payable		**10,683**	10,198
Due to a jointly-controlled entity	12	**–**	354
Due to related companies	13	**3,501**	3,704
Total current liabilities		**140,246**	152,269
NET CURRENT ASSETS		**587,305**	580,564
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,470,727**	1,460,314
NON-CURRENT LIABILITIES			
Deferred tax liabilities	16	**26,644**	23,195
Net assets		**1,444,083**	1,437,119
EQUITY			
Equity attributable to owners of the Company			
Issued capital	17	**111,860**	111,860
Reserves		**1,313,406**	1,305,564
		1,425,266	1,417,424
Non-controlling interests		**18,817**	19,695
Total equity		**1,444,083**	1,437,119

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to ordinary equity holders of the Company											
	Issued capital HK$'000 (Unaudited)	Share premium account HK$'000 (Unaudited)	Contributed surplus HK$'000 (Unaudited)	Goodwill reserve HK$'000 (Unaudited)	Asset revaluation reserve HK$'000 (Unaudited)	Available-for-sale investment revaluation reserve HK$'000 (Unaudited)	Statutory reserve funds HK$'000 (Unaudited)	Exchange fluctuation reserve HK$'000 (Unaudited)	Retained profits HK$'000 (Unaudited)	Total HK$'000 (Unaudited)	Non-controlling interests HK$'000 (Unaudited)	Total equity HK$'000 (Unaudited)
At 1 January 2012	**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**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**1,400**	**-**	**47**	**28,767**	**30,214**	**1,928**	**32,142**
2011 final dividend declared (note 6)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(11,186)**	**(11,186)**	**-**	**(11,186)**
2011 special dividend declared (note 6)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(11,186)**	**(11,186)**	**-**	**(11,186)**
Dividends paid to a non-controlling shareholder	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,806)**	**(2,806)**
Transfer to statutory reserve funds	**-**	**-**	**-**	**-**	**-**	**-**	**2,480**	**-**	**(2,480)**	**-**	**-**	**-**
Share of reserve movement of a jointly-controlled entity	**-**	**-**	**-**	**-**	**-**	**-**	**2,531**	**-**	**(2,531)**	**-**	**-**	**-**
At 30 June 2012	**111,860**	**459,870***	**446,355***	**(200,573)***	**40,482***	**5,200***	**122,879***	**231,998***	**207,195***	**1,425,266**	**18,817**	**1,444,083**
At 1 January 2011	111,860	459,870*	446,355*	(200,573)*	41,299*	4,100*	108,457*	180,280*	197,584*	1,349,232	16,780	1,366,012
Total comprehensive income/(expense) for the period	–	–	–	–	–	(2,500)	–	27,143	5,554	30,197	1,784	31,981
Transfer to statutory reserve funds	–	–	–	–	–	–	1,431	–	(1,431)	–	–	–
Share of reserve movement of a jointly-controlled entity	–	–	–	–	–	–	2,103	–	(2,103)	–	–	–
At 30 June 2011	111,860	459,870*	446,355*	(200,573)*	41,299*	1,600*	111,991*	207,423*	199,604*	1,379,429	18,564	1,397,993

* These reserve accounts comprise the consolidated reserves of HK$1,313,406,000 (31 December 2011: HK$1,305,564,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 HK$'000 (Unaudited)	30 June 2011 HK$'000 (Unaudited)
NET CASH FLOWS FROM/(USED IN):			
Operating activities		**155,782**	(127,815)
Investing activities		**11,872**	(6,357)
Financing activities		**(25,178)**	–
Net increase/(decrease) in cash and cash equivalents		**142,476**	(134,172)
Cash and cash equivalents at beginning of period		**223,566**	314,228
Effect of foreign exchange rate changes, net		**3**	10,553
Cash and cash equivalents at end of period		**366,045**	190,609
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	**326,185**	165,357
Non-pledged time deposits with original maturity of less than three months when acquired	14	**39,860**	25,252
Non-pledged time deposits with original maturity of over three months when acquired	14	**7,401**	–
Cash and cash equivalents as stated in the condensed consolidated statement of financial position		**373,446**	190,609
Less: Time deposits with original maturity of over three months when acquired	14	**(7,401)**	–
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows		**366,045**	190,609

1. Basis of Preparation and Accounting Policies

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

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011.

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except for available-for-sale investments and securities measured at fair value through profit or loss, which have been measured at fair value. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011 except as described by below. In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2012.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

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

2. Operating Segment Information

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

(a) the hotel segment consists of the management of a holiday resort hotel in Zhuhai, the People's Republic of China (the "PRC") (the "Hotel Business");

(b) the tourist attraction segment consists of the management of a theme park and an amusement park in Zhuhai, the PRC;

(c) the provision of port facilities and ticketing services segment provides port facilities and ticketing services in Zhuhai, the PRC; and

(d) the corporate and others segment comprises the Group's investment holding and trading of securities, together with corporate expense items.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of profit/(loss) before tax from existing operations. The profit/(loss) before tax from existing operations is measured consistently with the Group's profit/(loss) before tax from existing operations except that interest income is excluded from such measurement.

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

2. Operating Segment Information (continued)

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

	Hotel		Tourist attraction		Provision of port facilities and ticketing services		Corporate and others		Condensed consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30 June 2012 HK$'000 (Unaudited)	30 June 2011 HK$'000 (Unaudited)	**30 June 2012 HK$'000 (Unaudited)**	30 June 2011 HK$'000 (Unaudited)	**30 June 2012 HK$'000 (Unaudited)**	30 June 2011 HK$'000 (Unaudited)	**30 June 2012 HK$'000 (Unaudited)**	30 June 2011 HK$'000 (Unaudited)	**30 June 2012 HK$'000 (Unaudited)**	30 June 2011 HK$'000 (Unaudited)
Segment revenue:										
Sales to external customers	**84,491**	70,116	**24,108**	23,780	**36,745**	32,692	**-**	–	**145,344**	126,588
Segment results	**5,338**	(3,615)	**(7,925)**	(4,203)	**20,341**	17,972	**2,305**	(9,895)	**20,059**	259
Interest income									**3,970**	1,463
Share of profits and losses of a jointly-controlled entity	**-**	–	**-**	–	**17,144**	13,603	**-**	–	**17,144**	13,603
Profit before tax									**41,173**	15,325
Income tax expense									**(10,476)**	(8,380)
Profit for the period									**30,697**	6,945

3. Revenue

The Group's revenue represents proceeds from the provision of services, sales of goods, tickets, food and beverages, and the provision of port facilities and ticketing services, less sales tax and after trade discounts and returns, during the period.

4. Profit Before Tax

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

	Six months ended 30 June 2012 HK$'000 (Unaudited)	Six months ended 30 June 2011 HK$'000 (Unaudited)
Cost of inventories sold	**21,040**	17,076
Cost of services provided*	**83,543**	78,053
Amortisation of prepaid land lease payments	**3,720**	3,694
Amortisation of rights to use port facilities	**351**	346
Depreciation	**19,791**	21,086
Unrealised losses/(gains) on securities measured at fair value through profit or loss, net	**(8,350)**	626
Realised gains on disposals of securities measured at fair value through profit or loss, net	**(3,681)**	(1,675)
Exchange losses/(gains), net	**222**	(18)
Gross and net rental income	**(5,656)**	(6,128)
Interest income	**(3,970)**	(1,463)

* Cost of services provided includes an amount of HK$23,014,000 (30 June 2011: HK$24,172,000) in respect of depreciation of property, plant and equipment, amortisation of prepaid land lease payments and amortisation of rights to use port facilities, of which the respective total amounts are also disclosed separately above.

5. Income Tax

	Six months ended 30 June 2012 HK$'000 (Unaudited)	30 June 2011 HK$'000 (Unaudited)
Current:		
Hong Kong	**–**	–
PRC	**7,027**	5,680
Deferred (note 16)	**3,449**	2,700
Total tax charge for the period	**10,476**	8,380

Hong Kong profits tax has not been provided because the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2011: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the tax jurisdictions in which the Group operates, based on existing legislation and interpretations and practices in respect thereof.

The share of tax attributable to a jointly-controlled entity amounting to HK$5,828,000 (six months ended 30 June 2011: HK$4,884,000) is included in the share of profit of a jointly-controlled entity on the face of the condensed consolidated income statement.

6. Dividends

	Six months ended 30 June 2012 HK$'000 (Unaudited)	30 June 2011 HK$'000 (Unaudited)
Dividends paid during the period		
Final in respect of the financial year ended 31 December 2011 – HK1 cent (2011: Nil) per ordinary share	**11,186**	–
Special in respect of the financial year ended 31 December 2011 – HK1 cent (2011: Nil) per ordinary share	**11,186**	–
	22,372	–

7. Earnings Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of basic earnings per share for the period is based on the profit for the period of HK$28,767,000 (six months ended 30 June 2011: HK$5,554,000), and ordinary shares of 1,118,600,000 (six months ended 30 June 2011: 1,118,600,000) in issue during the period.

No adjustment has been made to the basic earnings per share presented for the periods ended 30 June 2012 and 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

8. Available-for-sale Investments

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Hong Kong listed equity investment, at fair value	**11,000**	9,600
Unlisted equity investment, at cost	**771**	771
	11,771	10,371

9. Prepayments and Deposits

	Notes	**30 June 2012 HK$'000 (Unaudited)**	31 December 2011 HK$'000 (Audited)
Rental prepayments		**3,971**	4,139
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)	**–**	–
		107,210	107,378

9. Prepayments and Deposits (continued)

Notes:

(i) On 30 June 2006, the Group entered into a letter of intent with 珠海市國源投資有限公司 ("Zhuhai Guoyuan") (the "First Intent Letter"). Pursuant to the First Intent Letter, the Group had the first right of acquisition 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 ("Debt Restructuring Agreement"). Details of the Debt Restructuring Agreement were included in the annual financial statements for the year ended 31 December 2011. 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 2009 for satisfaction of the conditions precedent under the Land Agreement.

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

9. Prepayments and Deposits (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 unaudited interim 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 of the Hong Kong Special Administrative Region (the "High Court") has promulgated an injunction order (the "Injunction") in January 2011 in favour of the Company in respect of 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.

On 7 June 2012, the High Court had ruled in favour of the Company in respect of the trial of the legal proceedings (the "Judgment") and the Intended Vendor was instructed to refund the Earnest Money to the Company. Details are set out in the Company's announcement dated 21 June 2012. However, the Intended Vendor refused to act in accordance with the Judgment and was in the progress of appeal to the Court of Appeal to set aside the Judgment.

The entire amount of the non-current deposit of HK$30 million was fully impaired during the year ended 31 December 2010.

10. Securities Measured at Fair Value Through Profit or Loss

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Listed equity investments in Hong Kong, at fair value	**765**	2,469
Listed equity investments in the PRC, at fair value	**–**	551
Unlisted investment funds in the PRC, at fair value	**264,290**	410,710
	265,055	413,730

11. Trade Receivables

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Trade receivables	**62,849**	42,965
Impairment	**(3,569)**	(3,641)
	59,280	39,324

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

11. Trade Receivables (continued)

As at 30 June 2012, the Group had a receivable from the Zhuhai Municipal Government arising from the use of the Group's hotel facilities amounting to approximately HK$45,292,000 (31 December 2011: HK$26,990,000). The trade receivable with the Zhuhai Municipal Government is unsecured, interest-free and the credit term granted is as mentioned above.

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

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Current to 3 months	**16,751**	23,554
4 to 6 months	**18,437**	2,738
7 to 12 months	**14,957**	9,391
Over 12 months	**9,135**	3,641
	59,280	39,324

Included in the above impairment allowance for trade receivables is an allowance for individually impaired trade receivables of approximately HK$3,569,000 (31 December 2011: HK$2,780,000) with a gross carrying amount before provision of approximately HK$3,586,000 (31 December 2011: HK$2,780,000). 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.

12. Balances with a Jointly-Controlled Entity

The balances with a jointly-controlled entity are unsecured, interest-free and repayable on demand.

13. Balance with Related Companies

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

Name	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
珠澳旅遊集散中心*	–	467
珠海市九洲郵輪有限公司*	356	32
珠海九洲旅遊開發有限公司*	6	14
Macau-Mondial Travel & Tours Ltd. ("Macau-Mondial")**	5,398	5,398
Zhuhai Special Economic Zone Hotel ("Zhuhai SEZ Hotel")**	458	458
	6,218	6,396
Less: impairment	(5,856)	(5,856)
	362	513

* 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 Group Company Limited ("Zhu Kuan Macau"), the then controlling shareholder of the Company, represented the outstanding balances arising from the sale of tickets in prior years. Full provision in respect of the amounts had been made in prior periods.

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

14. Restricted Bank Balance and Cash and Cash Equivalents

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Cash and bank balances	**327,912**	200,292
Less: Restricted bank balance (Note (a))	**(1,727)**	(1,727)
	326,185	198,565
Time deposits with original maturity of less than three months	**39,860**	25,001
Time deposits with original maturity of over three months	**7,401**	25,904
	373,446	249,470

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.

15. Trade Payables

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

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Current to 3 months	**16,391**	18,932
4 to 6 months	**134**	16
7 to 12 months	**295**	61
Over 12 months	**3,561**	3,442
	20,381	22,451

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

16. Deferred Tax Liabilities

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

	Revaluation of leasehold buildings HK$'000	Withholding Taxes HK$'000	Total HK$'000
30 June 2011			
At 1 January 2011	13,619	8,596	22,215
Deferred tax charged to the income statement during the period (note 5)	–	2,700	2,700
At 30 June 2011	13,619	11,296	24,915
30 June 2012			
At 1 January 2012	13,346	9,849	23,195
Deferred tax charged to the income statement during the period (note 5)	–	3,449	3,449
At 30 June 2012	13,346	13,298	26,644

17. Share Capital

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Shares		
Authorised:		
2,000,000,000 shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
1,118,600,000 shares of HK$0.10 each	**111,860**	111,860

18. Related Party Transactions

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

Name	Notes	Nature	Six months ended 30 June 2012 HK$'000 (Unaudited)	Six months ended 30 June 2011 HK$'000 (Unaudited)
Zhuhai Holiday Resort Co., Ltd. (the "ZH Resort")	(i)	Rental expenses	–	4,309
Zhuhai High-Speed Passenger Ferry Co., Ltd. ("Ferry Company")	(ii)	Port service fees	22,783	20,727
Zhuhai Jiuzhou Tourism Group Company Limited ("Zhuhai Jiuzhou Tourism Group")	(iii)	Rental expenses	2,442	2,236
China Marine Bunker Supply Company Jiuzhou Branch	(iv)	Diesel fuel expenses	3,639	4,122
Zhuhai Jiuzhou Port Petrol-Filling Station Co., Ltd.	(v)	Petrol expenses	553	594

18. Related Party Transactions (continued)

(a) (continued)

Notes:

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

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

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

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

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

18. Related Party Transactions (continued)

(b) Other transactions with related parties

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

(c) Compensation to key management personnel of the Group

	Six months ended	
	30 June 2012 HK$'000 (Unaudited)	30 June 2011 HK$'000 (Unaudited)
Short term employee benefits	**721**	1,082
Post-employment benefits	**78**	99
Total compensation paid to key management personnel	**799**	1,181

19. Contingent Liabilities

At the end of the reporting period, the Group had no significant contingent liabilities (31 December 2011: Nil).

20. Operating Lease Commitments

The Group leases certain of its office premises, hotel and port properties and facilities under operating lease arrangements. Leases are negotiated for original terms ranging from 1 to 40 years.

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

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Within one year	**5,747**	6,359
In the second to fifth years, inclusive	**7,291**	9,541
After five years	**14,452**	14,770
	27,490	30,670

21. Commitments

In addition to the operating leases commitments detailed in note 20 above, the Group had the following commitments at the end of the reporting period:

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
Capital commitments contracted for:		
Acquisitions of items of property, plant and equipment	**10,406**	13,895

22. Approval of the Unaudited Condensed Consolidated Interim Financial Statements

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 31 August 2012.

Management Discussion and Analysis

Business Review

For the six months ended 30 June 2012, the unaudited consolidated revenue of the Group amounted to approximately HK$145.3 million and the unaudited consolidated net profit attributable to ordinary equity holders of the Company was approximately HK$28.8 million, representing an increase of approximately 14.8% and 418.0% as compared with the same period of last year, respectively. China's economy continued to grow during the first half of 2012. Thanks to individual Chinese visitors and the constant increase in passenger volume between Zhuhai and Hong Kong, thereby rendering a steady improvement to the domestic tourism in Zhuhai and creating a beneficial external operating environment for the Group's marine passenger transportation and tourist business; resulting in an improvement in the overall operating result as compared to the corresponding period of last year.

1. ***Marine Passenger Transportation and Port Business***

   For marine passenger transportation business, the passenger volume of Hong Kong ferry services recorded a steady growth as economy in the Mainland China showed continuous growth and trading between Zhuhai and Hong Kong were frequent. In particular, the Zhuhai-Hong Kong International Airport line and Zhuhai-Shekou line both recorded satisfying increases. During the period under review, the passenger volume of ferry services running between Zhuhai and Hong Kong (including the Hong Kong Airport line), and Zhuhai and Shekou operated by Zhuhai High Speed Passenger Ferry Co., Ltd (the "Ferry Company") was approximately 924,000 and 303,000 respectively, representing an increase of approximately 5.8% and 11.8% as compared to the same period of last year. The Ferry Company's operating profit for the period increased approximately 26.0% as compared to the same period of last year. In respect of the port business, operating revenue derived from the ticket agency and from the use of pier facilities business of Zhuhai Jiuzhou Port Passenger Traffic Service Co., Ltd. recorded an increase of approximately 12.4% over the same period of last year, which was mainly due to an increase in number of passenger trips of the two main ferry lines running between Zhuhai and Hong Kong, and Zhuhai and Shekou of approximately 6.4% and 15.7% respectively as compared to the same period of last year.

Management Discussion and Analysis (continued)

Business Review (continued)

2. *Hotel Business*

During the period under review, the hotel business showed favourable results with the total income amounted to HK$84.5 million, representing an increase of 20.5% from the same period of last year. The average occupancy rate of our hotel during the period was approximately 61.0%, representing an increase of approximately 3.0% as compared to the same period of last year and the average room rates increased approximately 3.1% over the same period of last year. The income from room and catering services rendered by our resort hotel during the period under review recorded an increase of approximately 9.2% and 24.5% respectively as compared to the same period of last year.

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

During the period under review, the number of visitors of the New Yuanming Palace was approximately 358,000, representing an increase of approximately 8.2% over the same period of last year. The increase in number of visitors was mainly due to the introduction of new drama and shows, which made the New Yuanming Palace more attractive and entertaining. However, the number of visitors and the revenue during the 2012 Lunar New Year were also affected by the unusually cold weather in January in Zhuhai. Fantasy Water World mainly operated for six months, mainly from May to October, each year. For the remaining months, it only opened partially for the operation of winter event due to low temperature. Operating results of the period only included the operation in May and June. The number of visitors of the Fantasy Water World was approximately 79,000, representing an increase of approximately 17.9% over the same period of last year. The main reasons for the increase in the number of visitors were that the weather was good during May to June. The management launched relevant discount ticket policies at a timely manner and special effort was made to enhance marketing.

Management Discussion and Analysis (continued)

Business Review (continued)

4. ***Others***

During the period under review, the Group recorded a net gain totalled to approximately HK$12.0 million for both realised gains on disposal of securities measured at fair value through profit or loss and unrealised gains on securities measured at fair value through profit or loss; compared to realised gains on disposal of securities measured at fair value through profit or loss of HK$1.7 million and unrealised losses on securities measured at fair value through profit or loss of HK$0.6 million from the same period of last year, respectively.

Memorandum of Understanding

On 18 April 2012, the Group entered into a non-legally binding memorandum of understanding ("MoU") with a corporate entity, an independent third party, in relation to the possible acquisition of a majority stake of a group of companies. The possible target group is principally engaged in golf course operation and holds right to develop real properties in Zhuhai, the PRC. The said businesses are carried on through certain Sino-foreign co-operative joint venture enterprises ("CJVs") established in the PRC. The PRC joint venture partner of the CJVs is a substantial shareholder of the Company. Please refer to the announcement dated 18 April 2012 issued by the Company for details of the MoU.

Prospects

In the second half of 2012, the sovereign debt crisis and sluggish economic conditions in Europe, and the slow recovery of the US economy will continue to affect China's economic growth. Facing such great challenges, the Group remains cautiously optimistic. Meanwhile, the Group intends to deploy more resources to explore new business or projects to expand the Group's business profile.

Prospects (continued)

Updates on disputes in respect of the 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 centre in Zhuhai.

Pursuant to the Letter of Intent, earnest money (the "Earnest Money") in the amount of HK$30.0 million (equivalent to approximately 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 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) and a loan assignment ("Loan Assignment") executed by a company owned and controlled by the Possible Vendor, in favour of the Company.

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.

Prospects (continued)

Updates on disputes in respect of the earnest money paid by the Group (continued)

Trial of the case was conducted in the High Court of the Hong Kong Special Administrative Region (the "High Court") in May 2012. Judgment ("Judgment") was delivered on 7 June 2012 and the written reasons for judgment ("Reasons for Judgment") were handed down on 19 June 2012. Judgment was awarded in favour of the Company. In particular, the High Court ordered that the Earnest Money was not liable to forfeiture and had not been forfeited. It was also declared in the Reasons for Judgment that (a) the Company was entitled to enforce the Share Charge made in favour of the Company and the Loan Assignment; and (b) the Company's appointment of receivers ("Receivers") on 20 July 2009 was valid and effective. The Possible Vendor and related parties were ordered (1) to pay the Company the Hong Kong dollars equivalent of RMB26.0 million with interest at the best lending rate of the Hong Kong bank from 27 May 2009 to 7 June 2012; (2) to deliver all the books and records, share certificates, director and member registers, company chops and seals etc. belonging to the Target Company to the Receivers; (3) to pay damages to the Company for breach of the Share Charge and the Loan Assignment; (4) to indemnify the Company all costs, expenses and charges incurred by the Company in enforcing the Loan Assignment; and (5) to pay to the Company costs of the trial with certificates for leading and junior counsel. All the claims of the Possible Vendor for damages and for set off were dismissed.

In June 2012, the Possible Vendor and related parties applied to appeal the Judgment, on the grounds that the trial judge made wrong factual findings and was wrong on a number of legal findings. The Company was advised by the Company's legal counsel that such grounds appeared to be weak and the Company has good grounds to dismiss such appeal. In addition, the Possible Vendor and related parties were ordered by the Court of Appeal in the High Court of the Hong Kong Special Administrative Region (the "Court of Appeal") to pay into the Court of Appeal a designated sum on or before 6 September 2012, failing which the appeal will stand dismissed by operation of such order.

There are uncertainties regarding the chance of success in the Company's execution and collection of the Earnest Money, damages and costs from the Possible Vendor and the related parties. As disclosed in the Company's 2011 annual report and its previous annual reports, 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.

Prospects (continued)

Updates on disputes in respect of the earnest money paid by the Group (continued)

There were also indications during the above appeal process that the Possible Vendor and the related parties might start fresh proceedings against the Receivers to make claim of loss. The Company might be named as a party to such proceedings. Up to the date of this interim report, no such proceedings have been instituted or served on the Company.

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 the Debt Restructuring Agreement (as further detailed and defined below). 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 this interim 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.

Prospects (continued)

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").

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.

Prospects (continued)

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

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 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.

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 30 June 2012 amounted to approximately HK$373.4 million (31 December 2011: HK$249.5 million), of which approximately HK$343.0 million (31 December 2011: HK$213.2 million) were denominated in RMB and the remaining were all in Hong Kong dollars. In addition, the Group held short term investments in financial instruments of approximately HK$265.1 million as at 30 June 2012 (31 December 2011: HK$413.7 million), of which approximately HK$264.3 million (31 December 2011: HK$411.3 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 enhancing the Group's return on the surplus working capital. Since the Group has no outstanding banking borrowings as at 30 June 2012 and 31 December 2011 respectively, and based on the total bank borrowings in relation to shareholders' fund, the Group's gearing ratio as at 30 June 2012 and 31 December 2011 respectively was zero.

Contingent Liabilities

As at 30 June 2012, the Group had no significant contingent liabilities (31 December 2011: Nil).

Future Plan for Material Investments or Capital Assets

As at 30 June 2012, the Group had no future plans for material investments or capital assets except for those disclosed under the heading "Management Discussion and Analysis and Other Information" as stated aforesaid.

Foreign Exchange Exposure

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

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

Capital Structure

As at 30 June 2012, the number of issued ordinary shares was 1,118,600,000 shares in aggregate and the shareholders' equity of the Group was approximately HK$1,425.3 million.

Material Investments Held, Significant Acquisitions and Disposals

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

Number and Remuneration of Employees

The number and remuneration of employees of the Group have not changed materially from the information disclosed in the latest annual report for the year ended 31 December 2011.

Directors' Rights to Acquire Shares or Debentures

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

Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest ("Invested Entity"). Eligible participants of the Scheme include (i) the directors and employees of the Company, its subsidiaries or any Invested Entity, suppliers and customers of the Group, or (ii) any Invested Entity, any person or entity that provides research, development or other technological support to the Group, or (iii) any Invested Entity, or any shareholder of any member of the Group, or (iv) any Invested Entity, or any holder of any securities issued by any member of the Group or any Invested Entity. The Scheme became effective on 26 September 2002 and was terminated pursuant to a resolution passed on 28 May 2012. Upon the termination of the Scheme, no further options would be granted under the Scheme but the options granted prior to such termination continued to be valid and exercisable in accordance with the provision of the Scheme.

Share Option Scheme (continued)

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

Each grant of share options to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates under the Scheme must comply with the requirements of Rule 17.04 of the Listing Rules and must be subject to approval by the independent non-executive directors to whom share options have not been granted. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, which would result in the shares issued and to be issued upon the exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK$5.0 million, is subject to prior approval from shareholders in a general meeting.

Share Option Scheme (continued)

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon the payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company and shall not be more than 10 years from the date of 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.

As at 30 June 2012 and 31 December 2011, 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 30 June 2012 and 31 December 2011.

New Share Option Scheme

Pursuant to an ordinary resolution passed by the annual general meeting of the Company dated 28 May 2012, a new share option scheme ("New Share Option Scheme") was adopted and the existing Scheme was terminated. The principal terms of the New Share Option Scheme are set out in the circular of the Company dated 26 April 2012. Major terms of this scheme are summarised as follows:

(i) The purpose of the New Share Option Scheme is to provide incentives or 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 Invested Entity.

New Share Option Scheme (continued)

(ii) The participants of the New Share Option Scheme include: (a) any eligible employee; (b) any director of the Company, any of its subsidiaries or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

(iii) The maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

(iv) The total number of shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 111,860,000 shares, which represents 10% of the total number shares in issue as refreshed in the annual general meeting held on 28 May 2012. Share options which lapse in accordance with the terms of the New Share Option Scheme and any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit.

(v) The Company may seek approval of the shareholders in a general meeting for refreshing the 10% limit under the New Share Option Scheme, save that the total number of shares which may be issued upon exercise of all share options to be granted under the New Share Option 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 New Share Option 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 New Share Option Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the limit as refreshed.

New Share Option Scheme (continued)

(vi) 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.

(vii) Any grant of options under the New Share Option Scheme to a Director, chief executive or substantial Shareholder of the Company, or any of their respective associates must be approved by independent non-executive Directors of the Company.

(viii) 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$5.0 million, is subject to prior approval from shareholders in a general meeting.

(ix) 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 New Share Option 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.

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

New Share Option Scheme (continued)

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

As at 30 June 2012, no share options have lapsed or have been granted, exercised or cancelled under the New Share Option Scheme. Moreover, the Company had no share options outstanding as at 30 June 2012.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2012, 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 30 June 2012, none of the directors of the Company had registered any interests and short positions in the shares and underlying shares of the Company or any of its associated corporations that were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the SFO or the Model Code.

Substantial Shareholders and Other Persons Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2012, 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:

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

(2) 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.

** As at 30 June 2012, 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 30 June 2012, 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.

Purchase, Redemption and 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 period under review.

Compliance With the Code on Corporate Governance Practices/ Corporate Governance Code

The Company met with the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012, the "Old CG Code") during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (effective from 1 April 2012, the "New CG Code") during the period from 1 April 2012 to 30 June 2012 (collectively, the "CG Code") contained in Appendix 14 of the Listing Rules at that time, except for the following:

Under code provision A.1.1 of the CG Code, regular board meeting should be held at least four times a year at approximately quarterly intervals. However, only one regular board meeting was held in the first quarter of 2012 since the Company does not announce its quarterly results. The Board however held eleven board meetings during the period from 1 January 2012 to 30 June 2012.

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

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. The non-executive director and two independent non-executive directors of the Company were unable to attend the annual general meeting of the Company held on 28 May 2012 due to other work commitments.

Compliance With the Code on Corporate Governance Practices/ Corporate Governance Code (continued)

Under code provision C.1.2 of the New CG Code, management of company should with effect from 1 April 2012 provide all directors with monthly updates on the Company's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties. During the first half of 2012, periodic instant updates when developments arising out of the ordinary business (instead of monthly updates) were provided to the Company's independent non-executive directors. In the second half of 2012, the Company will change its practice to provide all directors with monthly updates.

Save as disclosed above, the Company had complied with the code provisions set out in the CG Code during the six months ended 30 June 2012.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2012.

Audit Committee

The Company has an audit committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The audit committee comprises the three independent non-executive directors of the Company. The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2012 has been reviewed by the audit committee and the Company's auditors, Ernst & Young.

Interim Dividend

The board of directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

By Order of the Board of Directors
Chen Yuanhe
Chairman

Hong Kong, 31 August 2012