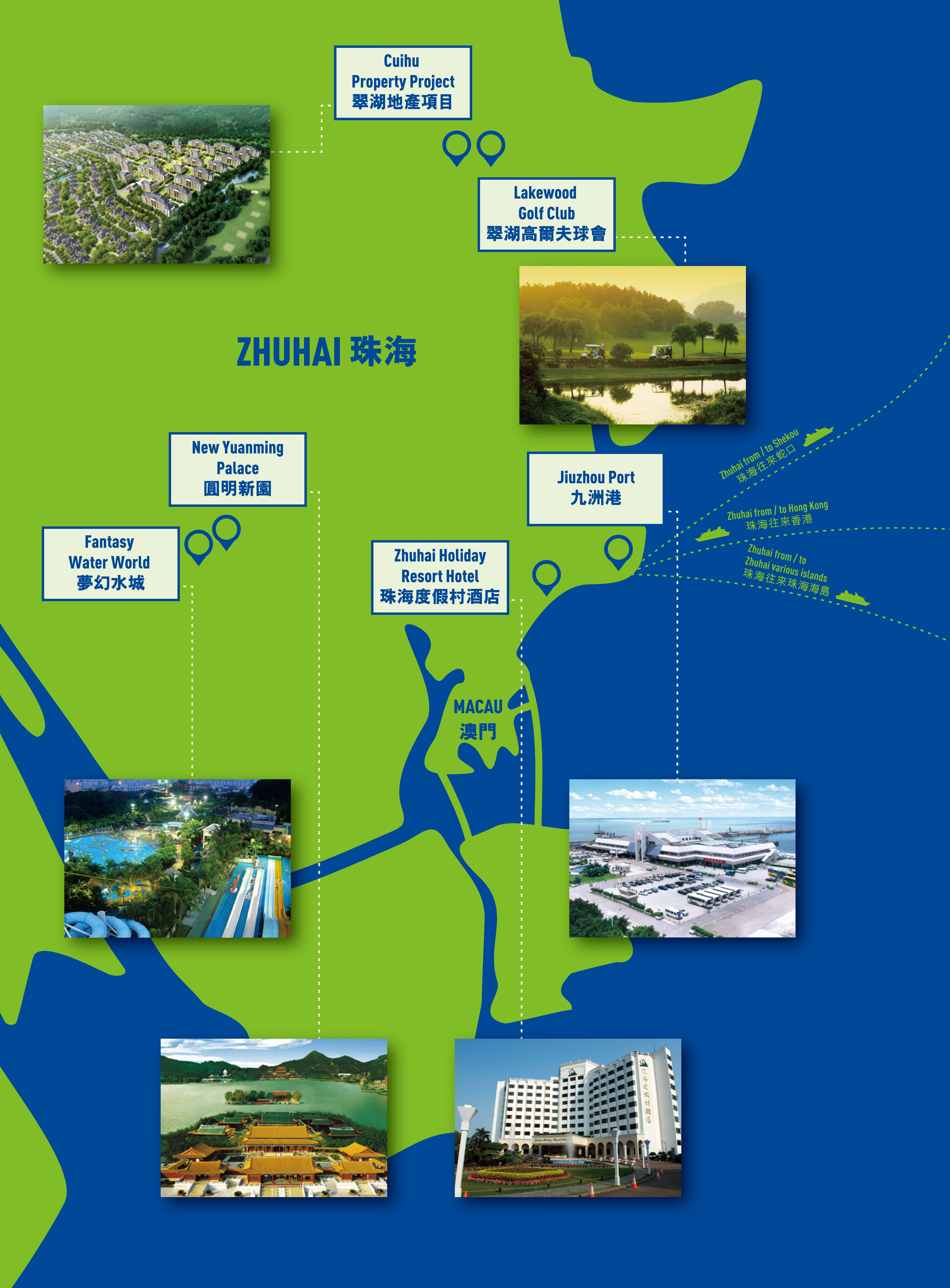
珠海控股
ZHUHAI HOLDINGS

# Annual Report 2013
# 年報

# 珠海控股投資集團有限公司
# ZHUHAI HOLDINGS INVESTMENT GROUP LIMITED

(Incorporated in Bermuda with limited liability)（於百慕達註冊成立之有限公司）

Stock Code 股份代號：00908



Cuihu
Property Project
翠湖地產項目
Lakewood
Golf Club
翠湖高爾夫球會
ZHUHAI 珠海
New Yuanming
Palace
圓明新園
Fantasy
Water World
夢幻水城
Zhuhai Holiday
Resort Hotel
珠海度假村酒店
Jiuzhou Port
九洲港
Zhuhai from / to Shekou
珠海往來蛇口
Zhuhai from / to Hong Kong
珠海往來香港
Zhuhai from / to
Zhuhai various islands
珠海往來珠海海島
MACAU
澳門

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# CORPORATE INFORMATION

## Board of Directors

**Executive Directors**

Mr. Chen Yuanhe *(Chairman)*
Mr. Huang Xin *(Chief Executive Officer)*
Mr. Jin Tao
Mr. Ye Yuhong
Mr. Li Wenjun

**Non-Executive Director**

Datuk Lim Hock Guan
(appointed on 12 August 2013)

**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

## 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
Shanghai Pudong Development Bank, Zhuhai Branch

## Legal Advisors (as to Hong Kong law)

Chiu & Partners
Ashurst Hong Kong

## Principal Share Registrar

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda
(with effect from 9 September 2013)

## Branch Share Registrar

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
(with effect from 31 March 2014)

## Head Office and Principal Place of Business in Hong Kong

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

00908

## Investors Relation

Email address:
info@0908.hk

## Website

www.0908.hk

# CHAIRMAN'S STATEMENT

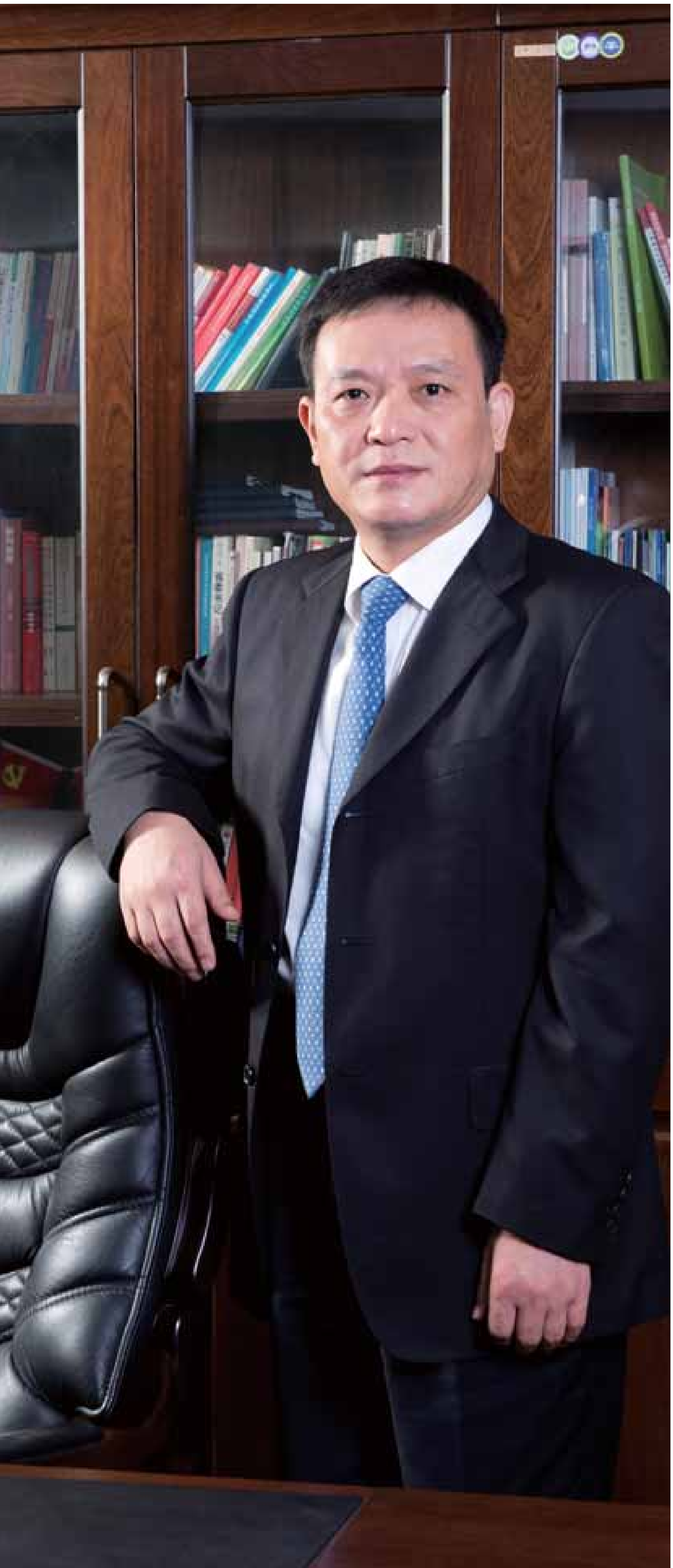
Zhuhai Holdings Investment Group Limited (the "Company") and its subsidiaries (the "Group") experienced a rapid development for 2013. Under strong leadership of the board of directors of the Company (the "Board"), the Group has followed a new development strategy and has fully developed its business transformation and continuously strengthened its market competitiveness and risk resistance capacity through adjustment and optimisation of business operation structure, capital structure and organisation structure. Through proactive introduction of outstanding strategic investors and co-operation partners, we have steadily carried out development of major projects and reorganisation of resources to facilitate continuous breakthrough for projects and sustainable corporate development of the Group.

The Group is forging ahead to achieve the desired results of operations during the year. The consolidated results of the Group for the year ended 31 December 2013 are as follows: (1) the consolidated revenue of the Group for the year was approximately HK$1,107.8 million, representing an increase of about 14.5% as compared to approximately HK$967.5 million (restated) of last year; (2) gross profit of the Group increased by 30.6% to HK$336.8 million; and (3) the consolidated profit for the year was HK$250.8 million, comparing to HK$118.6 million (restated) for last year. Furthermore, the net profit attributable to ordinary equity holders of the Company was approximately HK$209.1 million, representing an increase of approximately 202.3% as compared with last year. Basic earnings per share for the year were HK17.23 cents. No interim dividend was paid during the year. The Board has recommended the payment of a final dividend of HK2 cents per share absorbing a total amount of HK$28.3 million (2012: Nil) and the payment of a special dividend of HK1 cent per share absorbing a total amount of HK$14.1 million (2012: Nil) for the financial year ended 31 December 2013 to the shareholders whose names shall appear on the register of members of the Company on 20 June 2014.

In January 2013, in order to better reflect the Company's unique relationship with Zhuhai Municipality, embody its business nature together with potential for future development, the Company held a name changing and unveiling ceremony to change the Company's name from Jiuzhou Development Company Limited to Zhuhai Holdings Investment Group Limited. It is a material strategic action of the Company to adapt to market changes and to serve to strengthen our brand name and reputation. After changing its name, through integration of resources and business development, which enhanced the Company's publicity and marketing image, the Group is better recognised by the capital market as its market capitalisation hit record high.

In this performance year, the Group's businesses of maritime passenger transportation and related services, hotel and tourist attractions business experienced rapid development and showed a healthy result trend. The operating profit of all businesses achieved impressive results. In particular, the Group obtained operational and financial control over Zhuhai High-speed Passenger Ferry Co., Ltd. ("Ferry Company") through introduction of a strategic co-operation partner in respect of the marine passenger transportation. The Ferry Company and its subsidiaries (collectively, the "Ferry Group") are treated as subsidiaries (instead of formerly as joint ventures) of the Company (the "Deemed Acquisition"). During the year, the maritime passenger transportation and related services recorded growth of 23.3% and 38.1% in revenue and segment result, respectively.

The Group actively expanded into new business while consolidating its current operations. During this performance year, the Group completed the project acquisition of 60% interest in Zhuhai Cuihu high-end tourism property project in the People's Republic of China (the "PRC") (the "Zhuhai Cuihu Property Project") for the aggregate consideration of HK$1.65 billion and the relevant project financing of over HK$1.90 billion. At the same time, the Company recorded a gain on bargain purchase of approximately HK$181.1 million for the project which symbolised a good beginning for the entering of the tourism real estate business by the Group. The project development has achieved remarkable progress as the tourism property project has completed its overall planning, obtained land use right certificate and entered into a strategic property development and management agreement with Greentown Construction Management Company Limited ("Greentown Construction"), a renowned property developer in the PRC. In view of the Group's geographical advantages and Greentown Construction's reputation and experience in the development and management of high-end property,



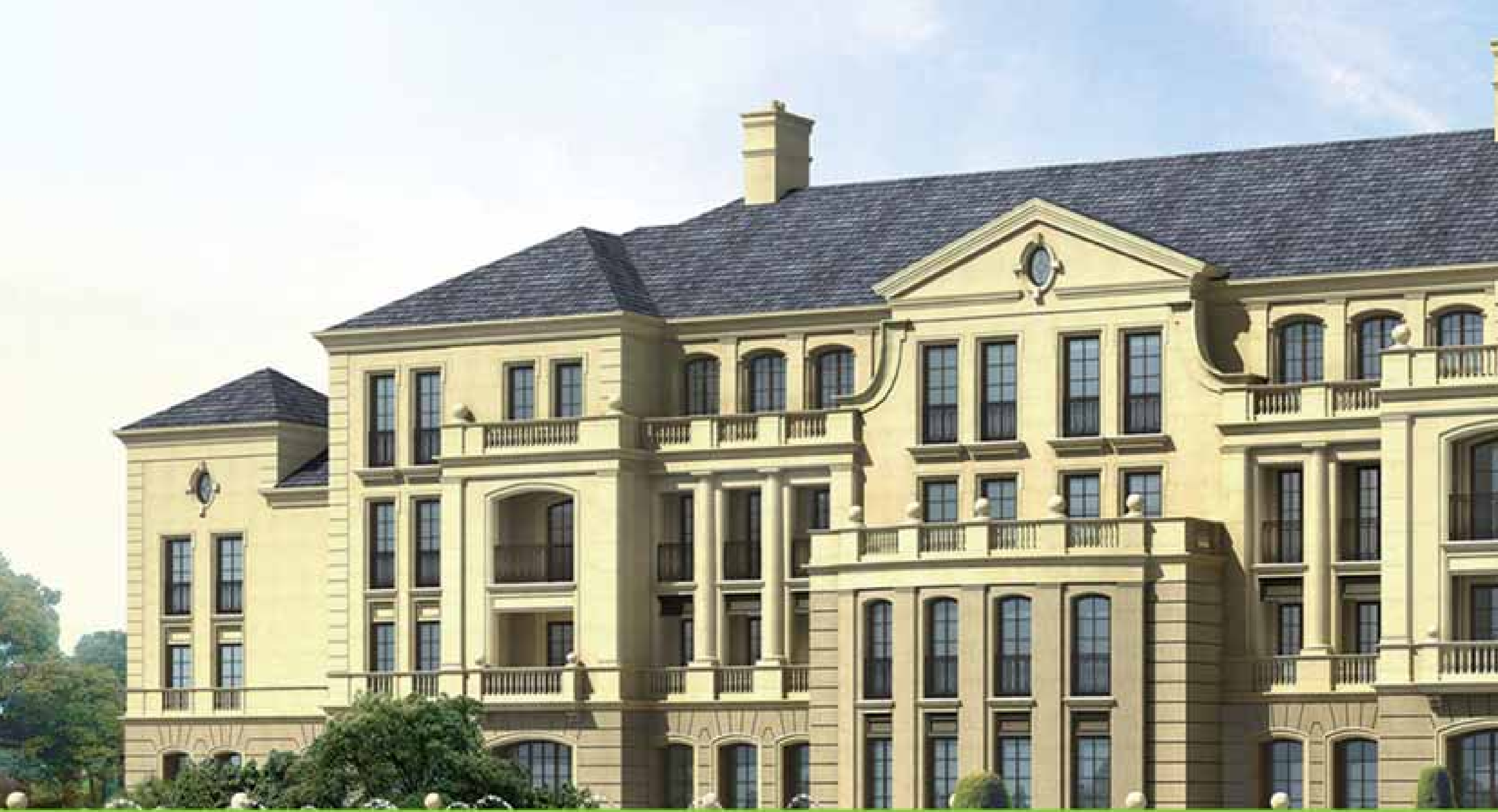
the Company believed the tourism property project will achieve high industry standards and quality to attract high-end target customers and realise satisfactory sales performance.

In this performance year, the Company enhanced the communication with shareholders and its dedication in investor relationship. Through various approaches such as investor forum, investment promotion conference and project visits, the Company maintained a smooth and effective communication with its shareholders and investors, and hence enabled them to have an in-depth understand of the Company's development strategy and business philosophy, resulting in a significant increase in the Company's stock price, market value and trading volume compared with the corresponding period of last year which renewed various records of the Company and aroused great attention from the Hong Kong capital market. The Company also seized development opportunity in various business segments and fully utilised the financing function of its listed company status to issue convertible bonds with principal amount of HK$500 million, 295,563,909 new shares and 30,000,000 warrants, and created a favorable condition for the expansion of the Company's shareholder base and for the enhancement of its capital base.

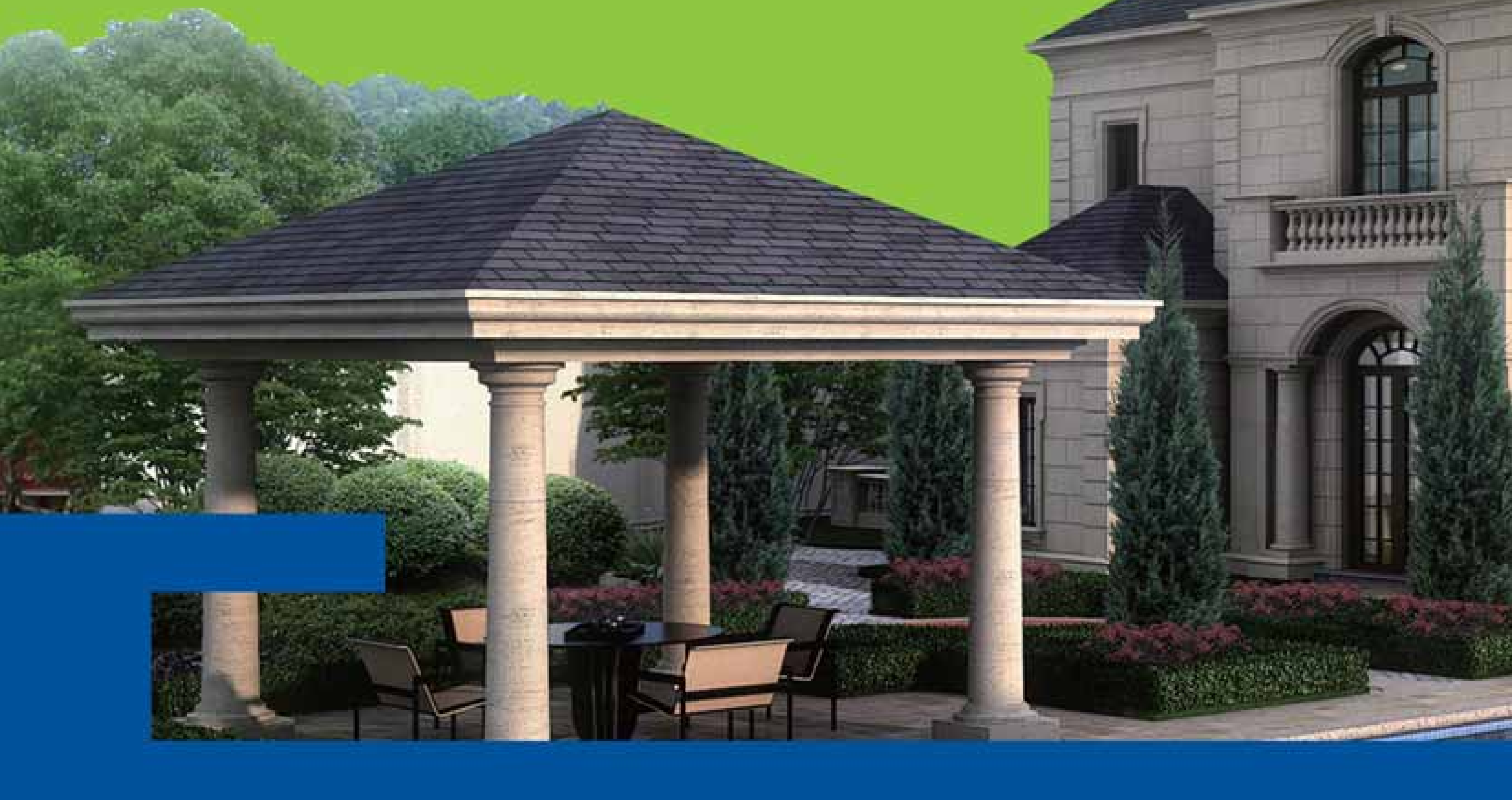
Looking forward to a new year, with the support of the Company's shareholders and leadership of the Board, I believed the Group will adhere to the strategic target of the Company, consistently promote industrial upgrade and transformation to implement the philosophy of significant development and utilise the function of capital operation to actively push forward key projects such as the Zhuhai Cuihu Property Project and Resort Hotel upgrade and improvement project, in order to realise a rapid and continuous development for the Company and create better return for its shareholders.

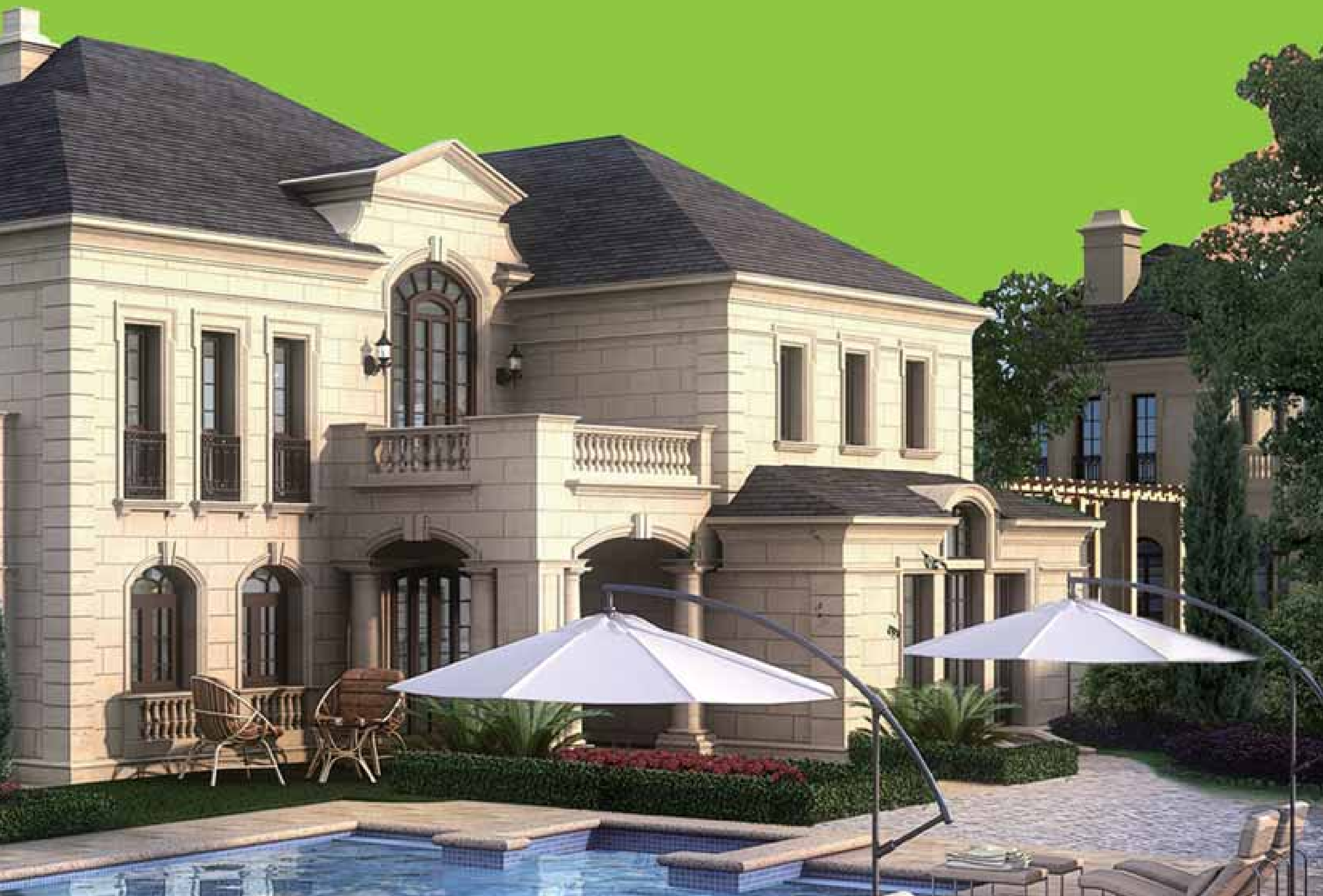
Finally, I, on behalf of the Board, would like to thank all the Group's staff for their diligence and dedication in the past year.

By Order of the Board
**Chen Yuanhe**
*Chairman*
Hong Kong, 27 March 2014



# MANAGEMENT DISCUSSION AND ANALYSIS





# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

### 1. Maritime Passenger Transportation and Related Services

During the year, the maritime passenger transportation and related services recorded total revenue and segment result of HK$871.4 million and HK$207.2 million, respectively.

**1.1 Maritime Passenger Transportation**

While dedicated to its business operations, Ferry Company proactively introduced strategic partners. In December 2012, Zhuhai Jiuzhou Holdings Group Co., Ltd. ("ZJ Holdings", a substantial shareholder of the Company) entered into a sales and purchase agreement ("Ferry SP Agreement") with an independent third party (the "Purchaser") for the sale and purchase of 8% equity interest in Ferry Company, a joint venture owned as to 51% by ZJ Holdings and 49% by the Company at that time. After the completion of the Ferry SP Agreement and pursuant to the supplemental joint venture agreement and the supplemental articles of association of the Ferry Company entered into between the Company, ZJ Holdings and the Purchaser, the majority of the directors of the Ferry Company is nominated by the Company. As a result, the Ferry Group are treated as subsidiaries (instead of formerly as joint ventures) of the Company after the Deemed Acquisition.

As the Group and the Ferry Group were under the common control of ZJ Holdings, the substantial shareholder of the Company, before and after the Deemed Acquisition, the financial results of the Company presented in these financial statements have been prepared under the principles of merger accounting as if the Deemed Acquisition had already been completed at the beginning of the periods covered by these financial statements.

During the year under review, the passenger volume of ferry services running between Jiuzhou Port in Zhuhai and Hong Kong (including the Hong Kong Airport line) operated by Ferry Company was approximately 2,089,000, representing an increase of approximately 8.7% as compared to last year. For the year, Ferry Company accounted for 42.42% of total volume of Guangdong – Hong Kong routes and the proportion increased by 1.53% year-on-year. The passenger volume of Shekou route for the year was 803,000, which increased by approximately 21.0%. The passenger volume of various islands lines in Zhuhai reached 799,000 during the year, representing an increase of approximately 13.4%.

Besides the year-on-year growth in passenger volume, the safety management system of Ferry Company passed the "zero defects" review. In addition, Ferry Company was once again awarded as "Safe and Honest Company" (安全誠信公司) for the year 2012. Since being first elected in 2008, Ferry Company has been awarded this highest honour of safe operation in the PRC shipping industry for six consecutive years, which is one of the only three shipping companies in the PRC that obtain such an achievement.

In order to strengthen the future development of Ferry Company and the intangible benefits which the brand may produce, Ferry Company decided to commence its brand system building in order to build-up its brand image and enhance its core competitiveness. Upon communications and discussions with various professional institutions, Ferry Company made some progress in aspects such as brand development strategic plan, positioning, corporate culture foundation system and construction.

### 1.2 Port Service

The operating revenue derived from the use of pier facilities business of Zhuhai Jiuzhou Port Passenger Traffic Service Co., Ltd. ("Jiuzhou Port Company") in Jiuzhou Port in Zhuhai recorded an increase of approximately 9.3% over the 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 between Zhuhai and Shekou of approximately 10.5% and 12.8%, respectively, as compared to last year. In addition, the retail stores in the terminal of the port were all leased out. This activated the resources of Jiuzhou Port terminal and significantly broadened the sources of revenue. Hence, it has become an integrated terminal with diversified operations and income sources.

### 1.3 Tour around Macao Ferry Line

Zhuhai Jiuzhou Cruises Co., Ltd. ("Jiuzhou Cruises") operates the "Tour Around Macao" ferry line, which proactively adjusted its market strategies and strengthened its management with an aim to promote its product competitiveness, in which achievements have been obtained in current year. During the year, Jiuzhou Cruises served 604,800 tourists in total, representing an increase of approximately 3.26% compared with last year. In addition, Jiuzhou Cruises successfully completed the construction project of temporary ferry pier for marine emergency and connection in Hengqin and the marine emergency and connection work during the International Circus Festival. Moreover, it commenced the construction project of 14 yacht parking spaces at quay piers nos. 14 and 15 in Wanzai in last year, and the project was successfully completed during the year.

### 1.4 Sales of Fuel

Zhuhai Jiuzhou Marine Bunker Supply Co., Ltd. ("Jiuzhou Marine Bunker") adjusted its marketing strategies in time in response to government control measures on fuel prices and put more effort in its marketing. While pursuing for performances in high-speed ferry ancillary refuel business, Jiuzhou Marine Bunker expanded direct sales business. The number of large contracts entered into with new customers increased during the year. Room for profit was developed to a certain extent and gross profit was satisfactory with gross profit margin increased by 0.7%. The growth in both selling price and quantity sold has driven the increase in operating profit.

## 2. Hotel and Tourist Attractions Business

### 2.1 Hotel Business

In 2013, domestic hotel industry has been facing a tough operating environment and had to withstand enormous pressure. Zhuhai Holiday Resort Hotel Co., Ltd. ("Resort Hotel") was dedicated to be market-oriented and efficiency-oriented. It formulated corresponding measures in time, adjusted its operating ideas and strengthened its internal management and control. All the works were in smooth progress and the results of brand and corporate culture building were significant.

During the year, hotel business recorded total revenue and segment result of HK$181.9 million and HK$19.5 million, respectively, representing a decrease of 10.1% and 15.1%, respectively, compared to last year. The average occupancy rate of our hotel was approximately 63.6% and the average room rate dropped by approximately 1.3% as compared to that of last year. Revenue from room services and catering services rendered by Resort Hotel during the year recorded an increase of approximately 0.6% and a decrease of approximately 16.8%, respectively.

In light of the decrease in demand for wedding banquet in the second half of 2013, Resort Hotel adopted effective measures to control costs and the integrated gross profit margin of catering services increased as a result. Revenue from catering services decreased while net profit remained stable was mainly because of the benefit from the effective measures of "optimising structure, promoting quality and controlling costs" which were adopted by the management of the hotel in time after their comprehensive consideration. With our endeavours, the hotel's development of main business and cost control achieved significant results.

In respect of sustainable development, the transfer and registration procedures for land use rights in Resort Hotel were completed. A design proposal for the renovation, enhancement and conceptual plan of Resort Hotel's renovation project was finished during the year and was initially approved.

### 2.2 The New Yuanming Palace and the Fantasy Water World

In 2013, the New Yuanming Palace and the Fantasy Water World served 5,191,100 visitors in total, representing an increase of 3,122,500 visitors or 150.9% over the last year. Such increase was mainly due to the significant increase in visitors after free entrance of the New Yuanming Palace. Increase in revenue was attributable to increase in rental income and operating efficiency of performing art programmes. During the year, this business recorded total revenue dropped by 34.1% to HK$38.3 million while segment result recorded profit of approximately HK$16.0 million (2012: loss of HK$0.6 million). In response to the new operating environment, the New Yuanming Palace proactively organised large scale cultural activities such as "Zhuhai Culture and Arts Season", Lantern Festival riddle-solving activity and Mid-autumn lantern exhibition. There were 4 large scale recreational areas added to the main area of the New Yuanming Palace through renovation and expansion. Business operations such as amusement rides and catering services were also being introduced, which mitigated the problem of inadequacy in ancillary facilities such as convenience stores due to huge influx of visitors after the free entrance of the New Yuanming Palace. Moreover, its scope of operation was also enriched. Also, area of the New Yuanming Palace increased and visitors can be diverged to different areas so that visitors flow in each area can be alleviated and the chance of causing dangers can be reduced. New facilities were also being introduced to the Fantasy Water World – the Grand Water Castle was completed as planned. It has been well-received by visitors since its opening and has soon become the most attractive spot of the Fantasy Water World.

## 3. Tourism Properties Business

During this year, the Group recorded a gain on bargain purchase of approximately HK$181.1 million due to the acquisitions of Lamdeal Consolidated Development Limited ("Lamdeal Development") and Lamdeal Golf & Country Club Limited ("Lamdeal Golf") (the "Lamdeal Acquisitions").

### 3.1 Zhuhai Cuihu Property Project

In April 2013, the Company entered into conditional sale and purchase agreement and convertible bonds subscription agreement with Malaysian LBS Bina Group Berhad ("LBS Group") and institutional investors, respectively. The Group acquired the entire issued share capital of Lamdeal Development and Lamdeal Golf at the aggregate consideration of HK$1,650 million and raised funds by issuing convertible bonds ("Convertible Bonds") with principle amount of HK$500 million to PA Bloom Opportunity III Limited and Prominent Investment Opportunity IV Limited (collectively the "CB Investors") to indirectly acquire, among other things, the Zhuhai International Circuit Consolidated Development project land of approximately 788,400 sq.m. situated in South of Jintang East Road, East of Jinfeng Road, Tangjiawan, Hi-tech Development Zone of Zhuhai City of Guangdong Province of the PRC (the "Project Land") with an aim to transform the Group to engage in high-end tourism real estate sector and establish a new resort city combining resort, health fitness and property investment. The Board believes that upon the completion of the said project will enhance the financing ability of the Company and will provide strong driving forces for the Group's strategic transformation.

As the Lamdeal Acquisitions and the applications of the relevant land use right certificates were completed during the year, the Group will seize this opportunity to substantiate the property development plan of the Project Land. Strategic business development and management agreement was entered into with Greentown Construction, a domestic well-known property developer in relation to the said tourism property project. All construction works of the project are actively under way. The Company believes that leveraging the Group's geographical strengths, high reputation of Greentown Construction and experience in development and management of high-end properties, the said tourism property project will achieve satisfactory sales results. The Group will seize this development opportunity to achieve its plan of high-end tourism property development in Zhuhai.

### 3.2 Zhuhai Lakewood Golf Club

Following the acquisition of Lamdeal Golf by the Group, the Zhuhai Lakewood Golf Club (the "Club") operated by Lamdeal Golf will coordinate in the development and construction of the Zhuhai Cuihu Property Project by relocating certain golf courses and renovation. During such period, the Club will only provide limited services. While undergoing operation during renovation, the Club put great emphasis on enhancing service quality by offering discounts to golfers to sustain its market share. Upon the completion of land development and renovation of golf course of the Zhuhai Cuihu Property Project, hardware facilities and service quality of the Club will be significantly enhanced. The number of membership for sale and the value thereof will also be increased. Since the Lamdeal Acquisitions and up to 31 December 2013, revenue generated from operation amounted to HK$16.1 million and segment results recorded loss of HK$18.9 million due to the aforesaid project development and renovation in golf course of the Club.

## 4. Recovery of Earnest Money

The Group recovered the entire earnest money and interests and related fees, amounting to approximately HK$40.8 million in partial satisfaction of the CA Judgment (as defined below), as more particularly set out in section headed "Updates on disputes in respect of certain earnest money paid by the Group".

## Acquisitions of Lamdeal Development and Lamdeal Golf

On 10 April 2013, Jiuzhou Tourism Property Company Limited ("JTP"), a wholly-owned subsidiary of the Company, as purchaser, the Company as the purchaser's guarantor, Dragon Hill Corporation Limited ("Dragon Hill"), an indirectly wholly-owned subsidiary of LBS Group, as vendor and LBS Group as the vendor's guarantor entered into a conditional sale and purchase agreement ("Lamdeal SP Agreement"), pursuant to which JTP conditionally agreed to acquire from Dragon Hill the entire issued share capital of Lamdeal Development and Lamdeal Golf at the aggregate consideration of HK$1,650 million, which was satisfied by (1) cash in the amount of HK$500 million; (2) allotment and issue of 225,563,909 consideration shares by the Company at the issue price of HK$1.33 per share and in the aggregate amount of HK$300 million ("Consideration Shares"); and (3) a promissory note issued by the Company to Dragon Hill in the amount of HK$850 million ("Promissory Note").

The Promissory Note is interest-free (subject to default interest) and the principal amount of the Promissory Note shall be settled by the Company in four tranches, with the first tranche in the amount of HK$250 million to be paid on or before 31 December 2014, and the following three tranches in the amount of HK$200 million each to be paid on or before 31 December 2015, 2016 and 2017 respectively. The Company's obligations under the Promissory Note are secured by JTP charging the shares of Lamdeal Golf in favour of Dragon Hill. For more details of the terms of the Promissory Note, please refer to the Company's circular dated 28 June 2013 in relation to, among other things, the Lamdeal Acquisitions (the "Circular").

The principal subsidiary of Lamdeal Development is 珠海國際賽車場綜合發展有限公司 ("Zhuhai Development"), a sino-foreign cooperative joint venture enterprise ("CJV") established in the PRC, which is owned as to 60% by Lamdeal Development. On 18 September 2013, Zhuhai Development obtained the land use right permit for the Project Land, as announced by the Company in its announcement dated 23 September 2013. Zhuhai Development intended to develop the Project Land into (i) high-end, low-density villas and residential properties with an aggregate gross floor area of approximately 707,000 sq.m., and (ii) ancillary commercial properties of approximately 71,000 sq.m. Lamdeal Golf through its subsidiary, 珠海國際賽車場高爾夫俱樂部有限公司 ("Zhuhai Golf"), a CJV established in the PRC owned as to 60% by Lamdeal Golf, engages in the operation of the Lakewood Golf Club in Zhuhai, the PRC. The PRC joint venture partner holding 40% interests in Zhuhai Development and Zhuhai Golf is Zhuhai Special Economic Zone Long Yi Enterprise Company Limited ("Long Yi"), which in turn is a wholly-owned subsidiary of ZJ Holdings.

The completion of the Lamdeal Acquisitions took place on 12 August 2013. As disclosed in the Circular, the cash consideration was funded by the proceeds from subscription of the Convertible Bonds (as defined below), as more particularly set out in section headed "Subscription of Convertible Bonds" below. Further, as announced by the Company in its announcement dated 12 August 2013, pursuant to the terms of the Lamdeal SP Agreement for the Lamdeal Acquisitions, Datuk Lim Hock Guan, as nominated by Dragon Hill and LBS Group, was appointed as a non-executive director of the Company on 12 August 2013.

## Subscription of Convertible Bonds

On 10 April 2013, the Company entered into a subscription agreement with the CB Investors, pursuant to which each of the CB Investors had severally (but not jointly) and conditionally agreed to subscribe and the Company conditionally agreed to issue the Convertible Bonds in the aggregate principal amount of HK$500 million. Completion of the subscription agreement took place on 12 August 2013 at which the Convertible Bonds were issued to the CB Investors in equal shares.

The Convertible Bonds are in the aggregate principal amount of HK$500 million (in the denomination of HK$1 million) with an initial conversion price of HK$1.50 (subject to adjustments, if any) per conversion share. The Convertible Bonds bear an interest rate of 5% per annum, payable semi-annually in arrears, and will mature on the date falling five years from the date of issue. Conversion of the Convertible Bonds by the bondholders is subject to certain conversion restrictions and the Company is entitled to exercise mandatory conversion in certain circumstances. Subject to early redemption, the Company shall on the maturity date (or on such earlier date as the principal amount outstanding on the Convertible Bonds shall become repayable in accordance with the terms of the Convertible Bonds) redeem the Convertible Bonds at a value that will provide the bondholder(s) with an internal rate of return of 13% per annum (including the accrued interest paid but excluding default interest (if any)) on the principal amount of the Convertible Bonds to be redeemed. The Convertible Bonds are non-transferable other than to affiliates or related funds of the CB Investors. The Convertible Bonds are unsecured and the conversion shares, when issued, will rank pari passu in all respects with all existing shares in issue on the conversion date. For more details of the terms of the Convertible Bonds, please refer to the Circular.

## Exercise of conversion rights under the Convertible Bonds

Up to the date of this annual report, no conversion notice has been received in respect of the exercise of conversion rights attached to the Convertible Bonds.

## Financing of the remaining land price for the Project Land

On 25 July 2013, Zhuhai Development, as financee, ZJ Holdings and the Company, as guarantors, and Long Yi entered into a financing agreement (the "Financing Agreement") with an asset management company (the "Financier") and its consultant. The amount of the financing provided by the Financier to Zhuhai Development pursuant to the Financing Agreement was RMB1,300 million. Pursuant to the Financing Agreement, the financing provided by the Financier to Zhuhai Development should be applied for the payment of the remaining land price for the Project Land and the land use right of slots 1, 2 and 4 of the Project Land should be pledged to secure the financing. Details of the Financing Agreement are set out in the Company's announcement made on 25 July 2013.

Further, Long Yi/ZJ Holdings and the Company agreed to, in accordance with their respective shareholding in Zhuhai Development, provide entrusted loans in the aggregate amount of RMB700 million to Zhuhai Development (i.e., RMB280 million by Long Yi/ZJ Holdings and RMB420 million by the Company) for the payment of the remaining land price. During the year under review, an entrusted loan in the amount of RMB280 million was provided by ZJ Holdings and an entrusted loan in the amount of RMB320 million was provided by the Company through a wholly-owned subsidiary to Zhuhai Development. On 18 September 2013, Zhuhai Development obtained the land use right permit for the Project Land.

## Development and management agreement of the Project Land

On 23 September 2013, Zhuhai Development and Greentown Construction entered into a strategic property development and management agreement (the "Development and Management Agreement") in respect of the development and management of the Project Land. Greentown Construction is a company established in the PRC principally engaged in project management and is a subsidiary of Greentown China Holdings Limited, a company incorporated in the Cayman Islands and the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to the Development and Management Agreement, Greentown Construction will co-operate with Zhuhai Development and provide a variety of services in relation to the development and management of the Project Land including, among other things, the following:

- overall planning and positioning of the development project;
- obtaining the relevant permits required for the construction work;
- engaging and managing designers for the development;
- formulating cost control policy and implementing the same in the course of the development;
- selecting and managing sub-contractors, raw materials suppliers and supervising units to manage the quality, efficiency and safety of the property development;
- sales and marketing management;
- organising and conducting interim and final property inspections;
- providing customer and property maintenance services;
- selecting property management units and formulating and monitoring property management guidelines;
- filing and record-keeping management;
- human resources management; and
- administration management.

In November and December 2013, preliminary work such as planning and construction design and the property development on the Project Land commenced. Barring from unforeseen circumstances, the construction project of the Project Land is expected to complete in 2018.

## Co-operation Framework Agreement

On 23 January 2013, the Company entered into a co-operation framework agreement ("Co-operation Framework Agreement") with a possible partner (being a State-owned enterprise and an independent third party of the Company) in relation to the possible co-operation ("Co-operation Project") in the investment, construction and operation of a shipping centre complex comprising port terminal and waiting lounge, shopping mall, hotel and office in Hengqin, the PRC. Pursuant to the Co-operation Framework Agreement, it is intended that the possible partner will form a project company as an investment vehicle jointly owned by the Group and the possible partner for the development and construction of the said co-operation project.

The Co-operation Framework Agreement will be terminated upon the occurrence of the following events, whichever is the earliest: (1) the Co-operation Project is not approved by the relevant governmental authorities; (2) both parties agree to terminate the Co-operation Framework Agreement; (3) the signing of the definitive agreement by both parties for the Co-operation Project; (4) the date falling the 5th anniversary from the date of Co-operation Framework Agreement (i.e., 22 January 2018).

Please refer to the announcement dated 23 January 2013 issued by the Company for details of the Co-operation Framework Agreement.

The Company is still undergoing due diligence review on the Co-operation Project and is in negotiation with the said possible partner for the terms of the investment.

## Prospects

### 1. Maritime Passenger Transportation and Related Services

#### 1.1 Ferry Company

Ferry Company will strive for opening new marine passenger transportation lines. It will seize the opportunity of opening marine passenger transportation lines from Hengqin, the PRC, to other ports by leveraging on the development trend in Hengqin. Taking into account the opening of Hong Kong – Zhuhai – Macau Bridge with the current passenger volume of ferries, Ferry Company has established a ship-building working group to research on building economic and appropriate new ships. At the same time, Ferry Company has led the research in proposal of building ships which are suitable for island-to-island tours. Currently, Ferry Company has contacted a number of shipyards for issues such as model selection of building a new high-speed passenger ship and has preliminarily confirmed the new model. Ferry Company will focus on the bidding and supervision of the ship-building process in 2014.

#### 1.2 Jiuzhou Port Company

Jiuzhou Port Company will make use of the advantage of Zhuhai Chimelong Ocean Kingdom's opening to integrate, coordinate and open both marine and land routes from Jiuzhou Port to Hengqin in order to further develop customer sources from Gongbei and Hengqin regions.

### 1.3 Jiuzhou Cruises

Jiuzhou Cruises will continue its operation of marine emergency connection in Hengqin. It will ensure safety before commencing tourism passenger line to Hengqin Pier. At the same time, it will proactively explore the possibility of cooperating with Hengqin Pier.

### 1.4 Jiuzhou Marine Bunker

The key development plan of Jiuzhou Marine Bunker include putting more efforts on business expansion, strengthening market research and increasing number of customers. Jiuzhou Marine Bunker will also seek cooperation opportunities by leveraging its brand name and also its own strengths.

## 2. Hotel and Tourist Attractions Business

### 2.1 Resort Hotel

In the coming year, affected by policy of the government, prospects of catering, wedding banquet and conference markets will still be gloom and operating environment will still be challenging. In response, marketing will be more forward-looking. Marketing modes will be changed flexibly and more efforts will be put on online marketing. At the same time, conference groups, business customers, travel tours and long-staying customers should also be developed. Resort Hotel will also accelerate the progress of its renovation and upgrading projects, conference centre upgrade, flat and room renovation, landscaping and renovation of roads for the whole resort.

The Group will also start its work in constructing a new hotel building and related commercial ancillary facilities to fully proceed upgrade and renovation of the Resort Hotel.

### 2.2 The New Yuanming Palace and the Fantasy Water World

The New Yuanming Palace will plan abundant performances, festival activities and theme scenic exhibitions to enrich cultural and art activities of the palace. Combining its cultural contents with its unique geographical advantages, the New Yuanming Palace will bring a feast of culture to the public and establish the most popular scenic spot. At the same time, the civil work of another new facility in the Fantasy Water World, which is Cobra King Waterslide project, was completed and will be in use in 2014.

## 3. Tourism Properties Business

### 3.1 Zhuhai Cuihu Property Project

Zhuhai Cuihu Property Project is the Group's major support for business transformation. The Group will co-operate with Greentown Construction to fully proceed with such project and will apply additional profit generated by the project to support the Group's other business development.

### 3.2 Zhuhai Lakewood Golf Club

The renovation of the Club commenced as scheduled and most of the construction of the golf course are expected to be completed during 2014.

## 4. Endeavoured to Explore New Development Projects

The Group will continue to pay attention to the development progress of new project in Hengqin and proactively seek potential development projects in Hengqin.

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

A letter of intent ("Letter of Intent") in relation to the possible acquisition of 80% of the issued share capital in a company ("Target Company") was entered into in August 2008 (as amended and supplemented) with a possible vendor ("Possible Vendor", being an independent third party of the Company). The Target Company then owned a wholly foreign-owned enterprise established in the PRC. Pursuant to the Letter of Intent, earnest money ("Earnest Money") in the amount of RMB26 million was paid by the Company to the Possible Vendor. The repayment of the Earnest Money was secured by, among others, certain pledge created by the Possible Vendor over certain shares of the Target Company ("Share Charge") and a loan assignment executed by a company owned and controlled by the Possible Vendor, both 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. As such, legal proceedings were instituted against the Possible Vendor for the refund of the Earnest Money. In this connection, receivers ("Receivers") were also appointed by the Company under the Share Charge.

Trial of the case was conducted in the Court of First Instance of the High Court of Hong Kong in May 2012. Judgment ("CFI Judgment") was delivered on 7 June 2012. Written reasons for the CFI Judgment were handed down on 19 June 2012. The CFI Judgment was awarded in favour of the Company.

In June 2012, the Possible Vendor and related parties ("Appellants") applied to appeal the CFI Judgment. The appeal was heard before the Court of Appeal on 10 September 2013 and judgment ("CA Judgment") was handed down on 27 September 2013. Save for an order in the CFI Judgment be substituted with an order that the Company be paid HK$30 million (instead of the Hong Kong dollars equivalent of RMB26 million) with interest at the best lending rate of Hong Kong banks from 27 May 2009 to 7 June 2012, the appeal was dismissed with costs in the Company's favour and the CFI Judgment was upheld.

No further appeal against the CA Judgment had been filed by the Appellants. Up to the date of this annual report, a total sum of approximately HK$40.8 million has been received by the Company in partial satisfaction of the CA Judgment, which includes (1) full payment of the Earnest Money with interest thereon and (2) partial payment of agreed costs and interest thereon payable by the Appellants to the Company.

The Company was informed that the Possible Vendor had commenced legal proceedings in the PRC against the Receivers for personal liabilities in the sale of certain assets which indirectly belonged to the Target Company. Judgment of such proceedings was given in favour of the Receivers in the first round, and the Possible Vendor took steps to appeal and the same is still in progress.

The Company was also informed that in August 2013, the Target Company commenced proceedings in Hong Kong against the Receivers for recovery of loss in respect of the sale of the assets in the Target Company as mentioned above.

So far as the Company is aware, the Company has not been named as a party to any such proceedings brought against the Receivers. However, the Company cannot preclude the possibility of being subsequently named as a party to any of such proceedings, and/or the Receivers taking steps to seek indemnity from the Company for losses suffered by the Receivers in the discharge of their duties under the Share Charge. Based on the advice of the Company's legal counsel, the Company believes that no provision has to be made in such connection for the time being.

For details of the above matters, please refer to the Company's announcements dated 10 September 2008, 20 July 2009, 21 June 2012, 2 October 2013 and 24 January 2014 respectively, the Company's annual reports for 2011 and 2012 and its interim report for 2013.

The Company will closely monitor the development of the matter. Where necessary, the Company will make announcement to inform shareholders and investors of any material development.

## 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 in the PRC, which were leased to the Group and on which certain building structures of the hotel business of the Group were erected ("Hotel Land"). The total purchase price is 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, completion of the acquisition of the Hotel Land is conditional upon the completion of the Debt Restructuring Agreement (as defined below). The Debt Restructuring Agreement was completed on 25 September 2009. During the year under review, the Group finished all steps to complete the transfer and registration procedures for the acquisition of the land use rights and building certificates in respect of the Hotel Land and the buildings erected on the Hotel Land. As at 31 December 2013, all land use right certificates and building certificates of the Hotel Land and the buildings erected on the Hotel Land had been obtained by the Group.

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

On 5 August 2006, (1) a debt restructuring agreement was entered into between, among other parties, Zhu Kuan Group Company Limited ("Zhu Kuan Macau"), Zhu Kuan (Hong Kong) Company Limited ("Zhu Kuan HK"), the liquidators 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.

The Company 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. 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.

On 15 April 2010, Zhu Kuan Macau, ZJ Holdings and Longway entered into a framework agreement (the "Framework Agreement"). 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 ZJ Holdings pursuant to previous loan and related security documents made between the parties.

The Company was informed that following efforts expended by the parties to the Framework Agreement, most conditions precedent laid down in the Framework Agreement were fulfilled.

Following further discussions between the parties and after obtaining the necessary approvals and consents, the Board was informed that on 11 September 2013, Longway and PIV entered into an agreement ("SP Agreement"), pursuant to which PIV has agreed to sell to Longway a total of 337 million shares of HK$0.1 each in the Company. Completion of the SP Agreement took place on the same day (i.e., 11 September 2013). Details of the said transfer are set out in the Company's announcement dated 11 September 2013.

As at 31 December 2013, following the above transfer, ZJ Holdings was deemed to be interested in 572,200,000 shares of the Company. Out of the 572,200,000 shares, 337,000,000 shares are held by Longway, a wholly-owned subsidiary of ZJ Holdings.

## Liquidity and Financial Resources

In November 2013, to raise capital while broadening the shareholder base and strengthening the capital base of the Company, the Company placed (1) 70,000,000 subscription shares at the subscription price of HK$1.52 per share and (2) 30,000,000 warrants ("Warrants") at the issue price of HK$0.023 per warrant ("Placement") to LIM Asia Special Situations Master Fund Limited ("LIM Asia"). The aggregate market price of the subscription shares and the warrant shares (assuming exercise of the warrants in full) was HK$100.8 million and HK$43.2 million, respectively, based on the closing price of HK$1.44 per share as quoted on the Stock Exchange on 18 November 2013, the date of the subscription agreement. The aggregate gross amount raised from the Placement (excluding any monies payable to the Company upon exercise of the warrants, if any) was approximately HK$107.1 million. After deducting the related expenses of the Placement, the net amount raised was approximately HK$104.5 million which was intended to be used as general working capital for the Group.

Except for (1) the Promissory Note issued in relation to the Lamdeal Acquisitions, (2) the subscription of Convertible Bonds, and (3) the financing of the remaining land price for the Project Land, disclosed under the heading "Management Discussion and Analysis – Business Review" as stated aforesaid, the Group generally finances its operations with internally generated cashflow and bank borrowings provided by its principal bankers in the PRC. The Group's cash and cash equivalents as at 31 December 2013 amounted to approximately HK$911.1 million (31 December 2012: HK$783.3 million (Restated)), of which approximately HK$860.4 million (31 December 2012: HK$750.5 million (Restated)) were denominated in RMB and the remaining were all in Hong Kong dollars. In addition, the Group held securities measured at fair value through profit or loss of approximately HK$1.1 million as at 31 December 2013 (31 December 2012: HK$70.5 million), all of approximately HK$1.1 million (31 December 2012: HK$1.0 million) were denominated in Hong Kong dollars. The securities measured at fair value through profit or loss comprised some listed securities in Hong Kong. Total interest-bearing bank and other borrowings, derivative financial instruments, promissory note, warrants, convertible bonds and loan from a shareholder amounted to HK$3,307.6 million as at 31 December 2013 (2012: Nil).

The Group's gearing ratio, which is net debt divided by total shareholders' equity plus net debt, raised from zero as at 31 December 2012 to 0.56 as at 31 December 2013. Net debt included interest-bearing bank and other borrowings, trade payables, accrued liabilities and other payables, construction payables, derivative financial instruments, promissory note, warrants, convertible bonds, amounts due to a shareholder and related companies and loan from a shareholder less cash and cash equivalents.

As at 31 December 2013, the Group had a current ratio of 0.65 (31 December 2012: 3.46 (Restated)) and net current liabilities of HK$879.8 million (31 December 2012: net current assets of HK$731.1 million (Restated)).

As at 31 December 2013, the interest-bearing bank and other borrowings that were outstanding amounted to HK$1,717.1 million, which comprised of (1) principal amount of RMB1,300 million due in August 2014 and (2) principal amount of RMB50 million due in April 2014.

As at 31 December 2013, the aggregate outstanding amount due by the Company in form of the promissory note was HK$711.3 million. The Promissory Note comprised of HK$250 million, HK$200 million, HK$200 million and HK$200 million with maturity dates of 31 December 2014, 2015, 2016 and 2017, respectively.

As at 31 December 2013, the Convertible Bonds with aggregate principal amount of HK$500 million due in August 2018 was outstanding. During the year under review, no conversion notice has been received in respect of the exercise of conversion rights attached to the Convertible Bonds.

As at 31 December 2013 and up to the date of this annual report, LIM Asia had not exercised the Warrants.

## Number and Remuneration of Employees

At the year end, the Group had approximately 2,525 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

The Board of Directors has recommended the payment of a final dividend of HK2 cents per share absorbing a total amount of HK$28.3 million (2012: Nil) and the payment of a special dividend of HK1 cent per share absorbing a total amount of HK$14.1 million (2012: Nil) for the financial year ended 31 December 2013 to the shareholders whose names shall appear on the register of members of the Company on 20 June 2014. Subject to the approval of the shareholders at the forthcoming annual general meeting to be held on Thursday, 12 June 2014, the final dividend and the special dividend will be payable on 30 June 2014.

## Contingent Liabilities

As at 31 December 2013, details of the contingent liabilities of the Group and the Company are set out in note 41 to the financial statements.

## Future Plans for Material Investments or Capital Assets

As at 31 December 2013, 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.

## Charges on Assets

As at 31 December 2013, certain land use rights with an aggregate carrying value of approximately HK$4,621.3 million (31 December 2012: Nil) included in properties under development were pledged to secure the interest-bearing bank and other borrowings of the Group.

As at 31 December 2013, the repayment obligation of the Company under the Promissory Note was secured by a charge over two ordinary shares in Lamdeal Golf, representing the entire issued share capital of Lamdeal Golf, in favour of Dragon Hill.

## 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

On 12 August 2013, pursuant to the Lamdeal SP Agreement, the Company issued 225,563,909 Consideration Shares at the issue price of HK$1.33 per share and in the aggregate amount of HK$300 million to Dragon Hill. The completion of the Lamdeal Acquisitions took place on 12 August 2013. The aggregate market price of the Consideration Shares as at 9 April 2013, being the last trading date before signing of the Lamdeal SP Agreement, was approximately HK$277.4 million, based on the closing price of HK$1.23 per Share as quoted on the Stock Exchange on 9 April 2013.

On 12 August 2013, the Convertible Bonds were issued to the CB Investors in equal shares pursuant to the subscription agreement dated 10 April 2013. For details of the Convertible Bonds and the conversion rights thereunder, please refer to the section "Management Analysis and Discussions – Business Review" as stated aforesaid in this annual report.

On 25 November 2013, the Company completed the Placement with LIM Asia and issued (1) 70,000,000 subscription shares at the subscription price of HK$1.52 per share and (2) 30,000,000 warrants at the issue price of HK$0.023 per warrant.

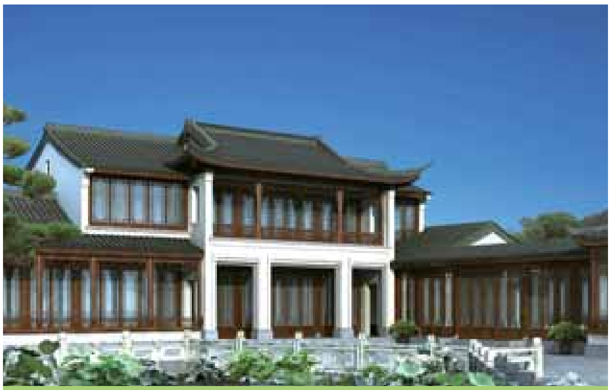
As at 31 December 2013, the number of issued ordinary shares was 1,414,163,909 shares in aggregate and the shareholders' equity of the Group was approximately HK$2,241.5 million. The Group's consolidated net assets value per share as at the reporting date was HK$2.53.

## 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 – Business Review" as stated aforesaid.

# ZHUHAI CUIHU PROPERTY PROJECT

French-Style Multi-Storey Houses Perspective



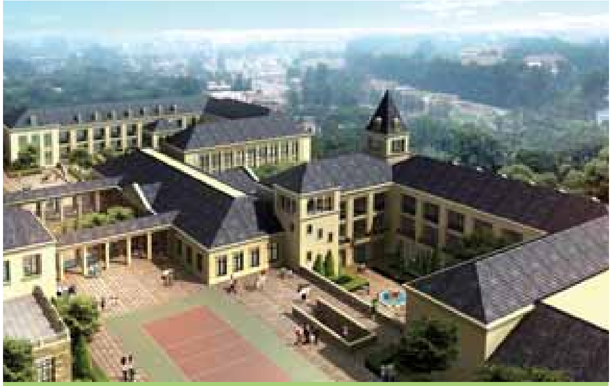
Chinese-Style Courtyard Houses Perspective

## LOT S1

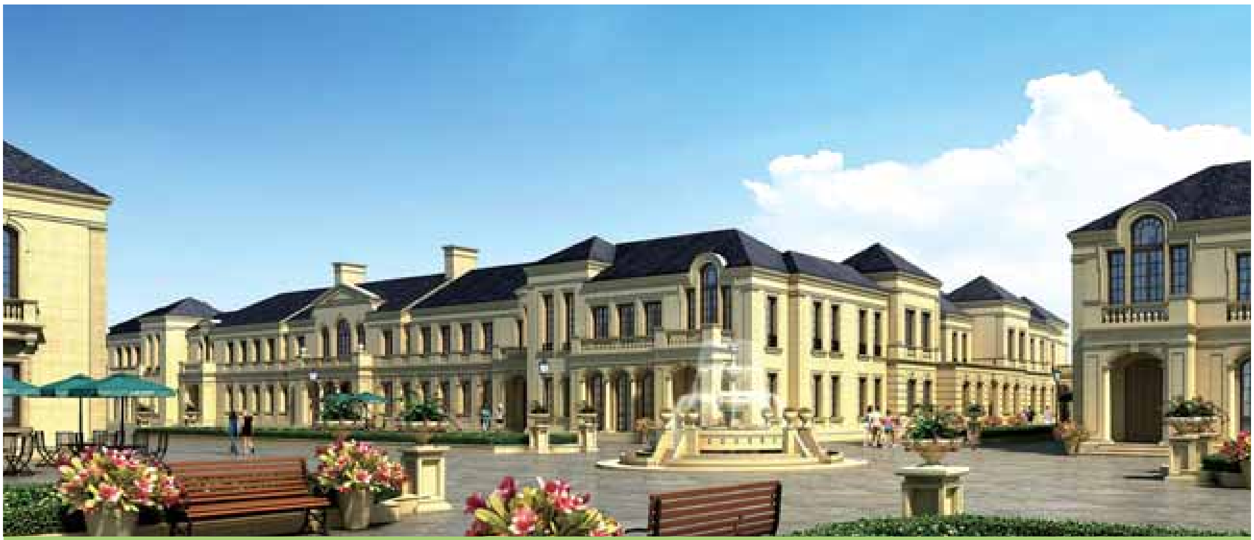
Aerial View Perspective of Lot S1

**Lot S1 occupies a site area of approximately 437,187 sq.m. with a total gross floor area ("GFA") of approximately 263,733 sq.m.**

Lot S1 is expected to comprise Chinese-style courtyard houses, French-style low-rise and multi-storey houses, hotel, commercial space, primary school and kindergarten.



Primary School Perspective


French-Style Courtyard Houses Perspective

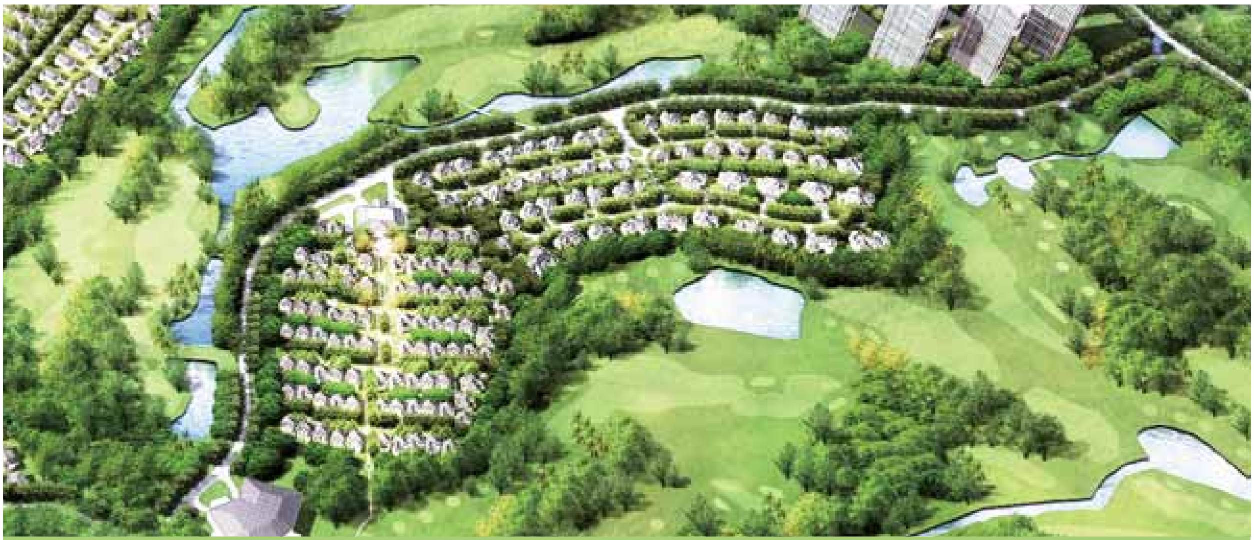

Aerial View Perspective of Lot S2

**Lot S2 occupies a site area of approximately 126,277 sq.m. with a GFA of approximately 64,400 sq.m.**

Lot S2 is expected to comprise French-style courtyard houses and low-rise houses.

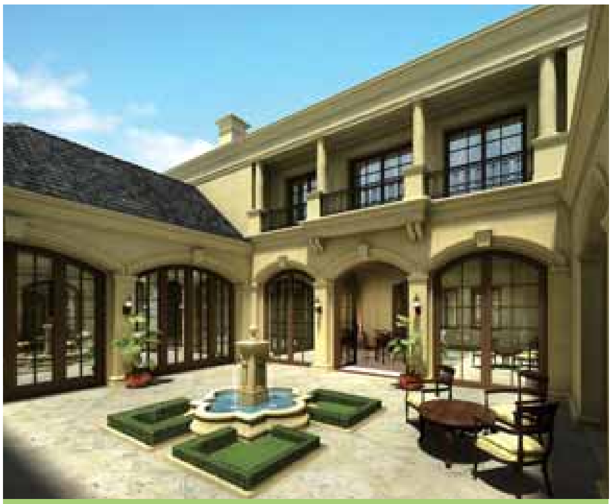
# LOT S2

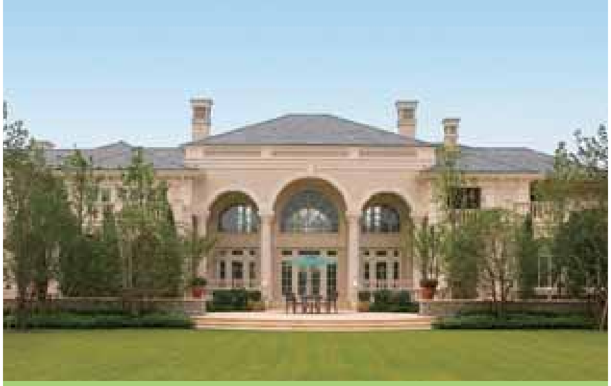

French-Style Low-Rise Houses Perspective


Aerial View Perspective of Lot S3

**Lot S3 occupies a site area of approximately 93,536 sq.m. with a GFA of approximately 49,434 sq.m.**

Lot S3 is expected to comprise French-style courtyard houses and low-rise houses together with commercial space.


French-Style Courtyard Houses Perspective


French-Style Low-Rise Houses Perspective

## LOT S3

# LOT S4

High-Rise Residential Buildings Perspective

Aerial View Perspective of Lot S4

**Lot S4 occupies a site area of approximately 60,752 sq.m. with a GFA of approximately 186,800 sq.m.**

Lot S4 is expected to comprise high-rise residential buildings.


Aerial View Perspective of Lot S5

# LOT S5

**Lot S5 occupies a site area of approximately 70,646 sq.m. with a GFA of approximately 212,272 sq.m.**

Lot S5 is expected to comprise high-rise residential buildings, commercial space, office and entertainment centre.


High-Rise Residential Buildings Perspective


Office Buildings Perspective

# DIRECTORS AND SENIOR MANAGEMENT

## Executive Directors

**Mr. Chen Yuanhe**, aged 49, appointed as an executive director of the Company, chairman of the Board in July 2009 and chairman of Nomination Committee of the Company in March 2012 respectively. He is currently also the chairman of the board of ZJ Holdings, a substantial shareholder of the Company. Mr. Chen holds a Master of Business Administration degree from the Hong Kong Polytechnic University and is a Chinese Certified Public Accountant. He 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, ZJ Holdings, 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 ZJ Holdings, 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. Huang Xin**, aged 48, appointed as an executive director and chief executive officer of the Company in July 2006. Mr. Huang is also currently the director and general manager of ZJ Holdings, a substantial shareholder of the Company. 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 50, appointed as an executive director of the Company in January 2012. Mr. Jin is also currently the executive deputy general manager of ZJ Holdings, a substantial shareholder of the Company. He is also the managing director and legal representative of Ferry Company. He holds a master degree in aircraft engineering from Northwestern Industrial University and is qualified as a senior engineer. 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 ZJ Holdings, 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. Ye Yuhong**, aged 49, appointed as an executive director in July 2009 and as a member of the Nomination Committee of the Company in March 2012. He is currently also a director and deputy secretary of CPC Committee and secretary of Discipline Inspection Commission of ZJ Holdings, a substantial shareholder of the Company. 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 ZJ Holdings. Mr. Ye holds a postgraduate of Huazhong University of Science and Technology and has over twenty years' experience in Hong Kong and Macau affairs, administrative management and human resource management.

**Mr. Li Wenjun**, aged 48, appointed as an executive director of the Company in July 2009. He is currently also the deputy general manager of ZJ Holdings, a substantial shareholder of the Company. He is also the managing director of both The New Yuanming Palace Tourist Co., Ltd. of Zhuhai S.E.Z. and 珠海市水上娛樂有限公司. 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 holds a postgraduate in Logistics Management of Huazhong University of Science and Technology and has over twenty years' experience in administrative management, economic management and financial securities.

## Non-Executive Director

**Datuk Lim Hock Guan**, aged 52, appointed as a non-executive director effective from 12 August 2013. He has been an executive director of LBS Group, a public company listed on the main board of Bursa Malaysia Securities Berhad, since 6 December 2001. He is sitting on the board of several LBS Group's subsidiaries, including Dragon Hill and Intellplace Holdings Limited; and he is also a director of Gaterich Sdn Bhd (formerly known as Intelrich Sdn Bhd, a substantial shareholder of the LBS Group). Datuk Lim holds a Bachelor of Science Civil Engineering from the Tennessee Technology University, USA and started his career as a Civil Engineer upon his graduation. Datuk Lim has more than twenty years of extensive experience in the field of property development, operations and construction. He is in charge of the LBS Group's projects in Klang Valley, Malaysia and is one of the major driving forces behind the LBS Group's successful implementation of the projects in the Klang Valley, Malaysia. He also sits on the risk management committee and the ESOS committee of the LBS Group. Datuk Lim is also active in community works and has involved in several non-profit-making organisations in Malaysia. He is the Vice President of Malaysia — Guangdong Chamber of Investment Promotion and the Vice President of The Malaysian Chamber of Commerce in Guangdong, the PRC. He is also a qualified sharpshooter from National Rifle Association, Washington D.C..

## Independent Non-Executive Directors

**Mr. Hui Chiu Chung J.P.**, aged 66, 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 the Nomination Committee of the Company. Mr. Hui is currently the chairman and chief executive officer of Luk Fook Financial Services Limited. He has over 43 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, an appointed member of the Hong Kong Institute of Certified Public Accountants Investigation Panel A and also a member of Government "Appointees" (independent member) of Appeal Panel of the Travel Industry Council of Hong Kong. Mr. Hui was appointed by the Government of the Hong Kong Special Administrative Region 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. 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), Gemdale Properties and Investment Corporation Limited (Stock Code: 535), China South City Holdings Limited (Stock Code: 1668) and SINOPEC Engineering (Group) Co., Ltd. (Stock Code: 2386) whose shares are listed on The Stock Exchange of Hong Kong Limited.

**Mr. Chu Yu Lin, David, SBS, J.P.**, aged 70, joined the Company as an independent non-executive director in April 1998. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Chu received his Master of Business Administration degree from Harvard University after degrees in electrical engineering and management at Northeastern University and was awarded an honorary Doctor of Public Service degree from Northeastern University. Prior to joining the Group, he had worked in a number of sizeable international corporations such as Bank of America, General Electric Co., and Jardine Matheson & Company Limited. Mr. Chu is a Justice of the Peace of the Hong Kong Special Administrative Region. He is also an independent non-executive director of Chuang's China Investments Limited (Stock Code: 298), AVIC International Holding (HK) Limited (Stock Code: 232) and Chuang's Consortium International Limited (Stock Code: 367) whose shares are listed on The Stock Exchange of Hong Kong Limited.

**Mr. Albert Ho**, aged 56, 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 the Nomination Committee of the Company. Mr. Ho graduated from the Macquarie University, Sydney, Australia with a Bachelor of Economics degree in 1985 and obtained his Master of Business Administration degree from the University of Hong Kong in 1991. He is a Certified Public Accountant and fellow member of the Association of Chartered Certified Accountants. He has extensive experience in financial and corporate management. Mr. Ho is also an independent non-executive director of SHK Hong Kong Industries Limited (Stock Code: 666), a listed company in Hong Kong.

## Senior Management

**Mr. Cheng Hui**, aged 42, is the executive vice president of the Company. He holds a master degree. He is also a director of Long Yi and other companies in the Group. Mr. Cheng had worked in Zhuhai Television, Shanghai New Visual Culture Broadcast Company and ZJ Holdings. He served as marketing director, strategy and planning department manager, together with business and administration department manager. He was involved in the fields of business administration, marketing planning, project financing management and etc. He joined the Company in April 2012. Mr. Cheng obtained his Master of Business Administration degree from the Hong Kong Polytechnic University and is qualified as a financial economist. He has over 19 years of experience in business administration and management, marketing, finance, project planning and investment.

**Mr. Lu Tong**, aged 46, 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 of experience in company law, finance investment, project finance and corporate management.

**Mr. Wong Kok Ching**, aged 38, is the vice president of the Company. Mr. Wong is also a director of Zhuhai Golf. Mr. Wong had worked in LBS Group, a public company listed on the main board of Bursa Malaysia Securities Berhad, and engaged in real estate business. He joined the Company in August 2013. Mr. Wong received his Bachelor degree of Science (Quantity Surveying) from University of Northumbria at Newcastle in United Kingdom. He has over 14 years of experience in real estate development, quantity survey and cost management. Mr. Wong is the nephew of Datuk Lim Hock Guan.

**Mr. Tang Jin**, aged 41, is the assistant president of the Company. He holds a master degree. He is also a director of other companies in the Group. 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 16 years of experience in corporate project management, securities investment and administration management.

**Mr. Chan Chit Ming, Joeie**, aged 41, is the financial controller and the company secretary 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 19 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 2013.

## Principal Activities

The principal activity of the Company is investment holding. The principal activities of the Group consist of investment holding, the provision of port facilities in Zhuhai, the People's Republic of China excluding Hong Kong and Macau (the "PRC"), the provision of ferry services between Zhuhai on the one part and Hong Kong and Shekou on the other part, the management of a holiday resort, a theme park and an amusement park, property development and the operation of a golf club. The principal activities of the principal subsidiaries are set out in note 19 to the financial statements.

Except for the acquisitions of Lamdeal Development and Lamdeal Golf, 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 2013 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 58 to 162.

The directors recommend the payment of a final dividend of HK2 cents per ordinary share and the payment of a special dividend of HK1 cent per ordinary share in respect of the financial year ended 31 December 2013 to the shareholders whose names shall appear on the register of members on 20 June 2014.

## Summary Financial Information

A summary of the results and assets, liabilities and non-controlling interests of the Group for the years ended 31 December 2009, 2010, 2011, 2012 and 2013 is set out on page 164. 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 13 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 15 to the financial statements.

## Properties Under Development

Details of the Group's properties under development are set out in note 16 to the financial statements and on page 163 of this report.

## Share Capital, Warrants and Convertible Bonds

Details of movements in the Company's share capital, warrants and convertible bonds during the year are set out in notes 37, 35 and 33 to the financial statements, respectively.

## 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 38(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

## Distributable Reserves

As at 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the laws of Bermuda, amounted to HK$131,241,000. In addition, the Company's contributed surplus, amounting to HK$628,440,000 as at 31 December 2013, 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$888,209,000 as at 31 December 2013 is distributable in the form of fully-paid bonus shares.

## Charitable Contributions

During the year, the Group made charitable contributions totalling HK$527,000.

## 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. Huang Xin *(Chief Executive Officer)*
Mr. Jin Tao
Mr. Meng Bin (resigned on 17 December 2013)
Mr. Ye Yuhong
Mr. Li Wenjun

### Non-Executive Director:

Datuk Lim Hock Guan (appointed on 12 August 2013)

### Independent Non-Executive Directors:

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

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. Huang Xin, Mr. Li Wenjun and Mr. Albert Ho, directors of the Company, shall retire at the forthcoming annual general meeting. In addition, Datuk Lim Hock Guan, who has been appointed by the Board on 12 August 2013, 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.

## 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

Save as disclosed in the paragraph headed "Connected and Continuing Connected Transactions" and in note 44 to the financial statements, no contract of significance to the business of the Group to which the Company, its subsidiaries, its holding companies or any subsidiaries of its holding companies was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations

As at 31 December 2013, the interests and short positions of the directors and chief executive 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 pursuant to Section 352 of the SFO, or as otherwise notified to the Company and 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 director | Number of shares directly and beneficially owned | Approximate percentage of the Company's issued ordinary share capital |
|---|---|---|
| Mr. Chen Yuanhe | 840,000 | 0.06% |
| Mr. Jin Tao | 1,742,000 | 0.12% |
| Mr. Ye Yuhong | 700,000 | 0.05% |
| Mr. Chu Yu Lin, David | 2,700,000 | 0.19% |
| Mr. Albert Ho | 250,000 | 0.02% |

Save as disclosed above, as at 31 December 2013, none of the directors of the Company had any interests and short positions in the shares and underlying shares of the Company or any of its associated corporations that were recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the SFO or the Model Code.

## Directors' Rights to Acquire Shares or Debentures

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

## Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

As at 31 December 2013, the following persons/parties (other than the directors and chief executive of the Company, whose interests have been disclosed in the above section headed as "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations") had interests of 5% or more in the shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### A. Long positions in ordinary shares and warrants of the Company:

| Name of shareholders | Number of ordinary shares beneficially held and interested | Number of warrants directly and beneficially held | Approximate percentage of the Company's issued ordinary share capital *(Note 1)* |
|---|---|---|---|
| ZJ Holdings *(Note 2)* | 572,200,000 | – | 40.46% |
| Longway Services Group Limited *(Note 2)* | 337,000,000 | – | 23.83% |
| Mr. Kwok Hoi Hing *(Note 3)* | 80,768,000 | – | 5.71% |
| Dragon Hill Corporation Limited ("Dragon Hill") *(Note 4)* | 225,563,909 | – | 15.95% |
| LIM Asia Special Situations Master Fund Limited ("LIM Asia") *(Note 5)* | 70,000,000 | 30,000,000 | 7.07% |

*Note 1* The percentage has been compiled based on the total number of shares of the Company in issue as at 31 December 2013 (i.e, 1,414,163,909 shares).

*Note 2* Out of the 572,200,000 shares of the Company held by ZJ Holdings, 337,000,000 shares are owned by Longway Services Group Limited, a wholly-owned subsidiary of ZJ Holdings. The remaining 235,200,000 shares are owned by ZJ Holdings.

*Note 3* Mr. Kwok Hoi Hing held 80,768,000 shares of the Company of which 22,836,000 shares were held through his wholly-owned subsidiary, Surpassing Investment Limited.

*Note 4* Dragon Hill held interest in the 225,563,909 shares in which Intellplace Holdings Limited ("IHL"), LBS Bina Group Berhad ("LBS Group"), Gaterich Sdn Bhd (formerly known as Intelrich Sdn Bhd) ("Gaterich") and Dato' Sri Lim Hock San were deemed to be interested in by virtue of SFO because:

- Dragon Hill is 100% owned by IHL which in turn is owned by LBS Group;
- LBS Group is 54.37% owned by Gaterich; and
- Gaterich is 50% owned by Dato' Sri Lim Hock San.

*Note 5* LIM Asia held interest in the 100,000,000 shares i.e., 70,000,000 shares and 30,000,000 warrants, in which LIM Asia Special Situations Fund Limited ("LIMASSFL"), LIM Advisors Limited ("LIMAL"), Long Investment Management International Limited ("LIMIL") and Mr. Long George Williamson were deemed to be interested in by virtue of SFO because:

- LIM Asia is 99% owned by LIMASSFL which in turn is 100% controlled by LIMAL as investment manager; and
- LIMAL is 100% controlled by LIMIL as manager which in turn is 98% owned by Mr. Long George Williamson.

## Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares *(Continued)*

### B. Long positions in the underlying shares of the convertible bonds of the Company:

| Name of the holder of the convertible bonds | Approximate principal amount of the convertible bonds HK$ | Number of the total underlying shares | Approximate percentage of the Company's issued ordinary share capital *(Note 1)* |
|---|---|---|---|
| PA Bloom Opportunity III Limited *(Note 2)* | 250,000,000 | 166,666,666 | 11.79% |
| Prominent Investment Opportunity IV Limited *(Note 2)* | 250,000,000 | 166,666,667 | 11.79% |

*Note 1* The percentage has been compiled based on the total number of shares of the Company in issue as at 31 December 2013 (i.e., 1,414,163,909 shares).

*Note 2* PA Bloom Opportunity III Limited ("PABOL") and Prominent Investment Opportunity IV Limited ("PIOL") are interested in 166,666,666 shares and 166,666,667 shares of the Company, respectively, representing a total of 333,333,333 shares which may be allotted and issued upon the exercise of the conversion right under the convertible bonds of the Company issued to PABOL and PIOL assuming the conversion price to be HK$1.50 per conversion share in which Pacific Alliance Asia Opportunity Fund L.P. ("PAAOFLP"), Pacific Alliance Group Asset Management Limited ("PAGAML"), Pacific Alliance Investment Management Limited ("PAIML"), Pacific Alliance Group Limited ("PAGL") and PAG Holdings Limited ("PAGHL") were deemed to be interested in by virtue of SFO because:

- PABOL and PIOL are 100% owned by PAAOFLP;
- PAGAML is the general partner of PAAOFLP;
- PAGAML is 100% owned by PAIML which in turn is 90% owned by PAGL; and
- PAGL is 99.17% owned by PAGHL.

Save as disclosed above, as at 31 December 2013, the Company had not been notified by any persons (other than the directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations" above), who had interests 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.

## Connected and Continuing Connected Transactions

In addition to the related party transactions disclosed in notes 44(a) and (b) to the financial statements, details of connected transactions or continuing connected transactions of the Group as defined under the Listing Rules, details of which are required to be disclosed in accordance with the requirements of Chapter 14A of the Listing Rules, are summarised below:

## A. Connected Transactions

The following transaction has been approved by independent shareholders at a special general meeting of the Company held on 18 July 2013.

On 10 April 2013, JTP, a wholly-owned subsidiary of the Company, as purchaser, the Company as the purchaser's guarantor, Dragon Hill, an indirectly wholly-owned subsidiary of LBS Group, as vendor and LBS Group as the vendor's guarantor entered into Lamdeal SP Agreement, pursuant to which JTP conditionally agreed to acquire from Dragon Hill the entire issued share capital of Lamdeal Development and Lamdeal Golf at the aggregate consideration of HK$1,650 million, which was satisfied by (1) cash in the amount of HK$500 million; (2) allotment and issue of 225,563,909 consideration shares by the Company at the issue price of HK$1.33 per share and in the aggregate amount of HK$300 million; and (3) a promissory note issued by the Company to Dragon Hill in the amount of HK$850 million.

Lamdeal Development owns 60% interest in Zhuhai Development (with Long Yi, a wholly-owned subsidiary of ZJ Holdings, holding the remaining 40% interest). The business scope of Zhuhai Development as approved by the Zhuhai government is the development of residential and commercial buildings, offices and ancillary education and entertainment facilities on land where land use right has been granted. After completion of the Lamdeal SP Agreement and upon the grant of the relevant land use right permit and construction use land planning permit to Zhuhai Development, the Company intends to develop the Project Land for (i) high-end, low-density villa and residential properties with an aggregate gross floor area of approximately 707,000 sq.m; and (ii) ancillary commercial properties of approximately 71,000 sq.m.

Lamdeal Golf owns 60% interest in Zhuhai Golf (with Long Yi, a wholly-owned subsidiary of ZJ Holdings, holding the remaining 40% interest). The business scope of Zhuhai Golf is the development and operation of golf course and ancillary club and other recreational facilities. The principal activity of Zhuhai Golf is the operation of Lakewood Golf Club.

The Lamdeal Acquisitions were completed on 12 August 2013.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the Lamdeal Acquisitions.

## Connected and Continuing Connected Transactions *(Continued)*

## B. Continuing Connected Transactions

(i) On 18 March 2011, Jiuzhou Port Company, a non-wholly owned subsidiary of the Company, and Ferry Company, a non-wholly owned subsidiary of the Company (previously accounted for as a joint venture of the Group), entered into certain agreements on similar terms (collectively, the "2011 AM Fee Agreements") pursuant to which Jiuzhou Port Company acted as agent of Ferry Company for selling of ferry tickets to passengers and for providing management services for the berthing facilities at the Jiuzhou Port in Zhuhai to Ferry Company for the term commencing on 1 January 2011 and expired on 31 December 2013. As (a) Jiuzhou Port Company is indirectly owned by the Company and ZJ Holdings as to 90% and 10%, respectively, as at 31 December 2013; (b) Ferry Company is indirectly owned by the Company and ZJ Holdings as to 49% and 43%, respectively, as at 31 December 2013; and (c) ZJ Holdings is a substantial shareholder of the Company, the Ferry Company is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2011 AM Fee Agreements constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Under the 2011 AM Fee Agreements, Jiuzhou Port Company was entitled to receive agency cum management fees from Ferry Company calculated on the basis of 23.5% of the gross proceeds from the ferry tickets sold after deducting certain fees and expenses. Ferry Company was required to pay the agency cum management fees in arrears and on a monthly basis under the 2011 AM Fee Agreements. At the special general meeting of the Company held on 27 May 2011, the 2011 AM Fee Agreements, the transactions contemplated thereby and the related annual caps were approved by the independent shareholders of the Company.

On 28 September 2012, Jiuzhou Port Company and Ferry Company entered into certain termination agreements to terminate the 2011 AM Fee Agreements. Three new agency transportation cum management fee agreements for the period commencing on 28 September 2012 and expiring on 31 December 2014 on similar terms (collectively, the "2012 AM Fee Agreements") were made between Jiuzhou Port Company, Ferry Company and Zhuhai Jiuzhou Port Passenger Transport Station Co., Ltd. ("Jiuzhou Transport Company"), a wholly-owned subsidiary of ZJ Holdings. Pursuant to the 2012 AM Fee Agreements, Jiuzhou Port Company is mainly responsible for providing waiting lounge for passengers, supplying electricity and fresh water to the ferries of Ferry Company, conducting promotional activities for the ferry lines and providing berthing facilities and services for the ferries of Ferry Company at the Jiuzhou Port, and Jiuzhou Transport Company is mainly responsible for selling ferry tickets to passengers in the PRC, luggage transportation, assisting in the management of waiting lounge services and conducting business promotion activities. Both Jiuzhou Transport Company and Ferry Company are connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2012 AM Fee Agreements constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Under the 2012 AM Fee Agreements, (i) Jiuzhou Port Company was entitled to receive the agency, transportation cum management fees ("AM Fees") from Ferry Company calculated on the basis of 17.5% to 20.5% of the gross proceeds from the ferry tickets sold, after deducting certain expenses and fees payable to certain independent third parties for certain ferry lines; and (ii) Jiuzhou Transport Company was entitled to receive (1) agency transportation and management fees from Ferry Company calculated on the basis of 3% of the gross proceeds from the ferry tickets sold, after deducting certain expenses (including bunker surcharges and catering expenses) and fees payable to certain independent third parties for certain ferry lines and (2) an agency fee of RMB3 per ticket sold for certain ferry lines. Ferry Company was required to pay the agency cum management fees in arrears and on a monthly basis under the 2012 AM Fee Agreements. At the special general meeting of the Company held on 18 December 2012, the 2012 AM Fee Agreements, the transactions contemplated thereby and the related annual caps were approved by the independent shareholders of the Company.

## Connected and Continuing Connected Transactions *(Continued)*

### B. Continuing Connected Transactions *(Continued)*

(i) *(Continued)*

On 30 September 2013, supplemental agreements ("Supplemental Agreements") to the 2012 AM Fee Agreements were entered into between the Ferry Company, Jiuzhou Port Company and Jiuzhou Transport Company. The major terms ("Variation of Terms") of the Supplemental Agreements included: (1) Jiuzhou Port Company was entitled to receive the AM Fees from the Ferry Company calculated on the basis of 19.5% to 22.5% of the gross proceeds from the ferry tickets sold, after deducting certain expenses (including bunker surcharges and catering expenses) and fees payable to certain independent third parties for certain ferry lines ("Net Proceeds") (the original charging rate under the 2012 AM Fee Agreements before the Variation of Terms was in the range of 17.5% to 20.5%); (2) Jiuzhou Transport Company was entitled to receive agency transportation and management fees from the Ferry Company calculated on the basis of 1% of the Net Proceeds from the ferry tickets sold (the original charging rate under the 2012 AM Fee Agreements before the Variation of Terms was 3%); and (3) the sharing ratio of certain expenses in connection with business promotion between the Ferry Company, Jiuzhou Port Company and Jiuzhou Transport Company was 76.5%: 22.5%: 1% (the original sharing ratio under the 2012 AM Fee Agreements before the Variation of Terms was 76.5%: 20.5%: 3%). It was expected that the Variation of Terms will not result in the related annual caps for the year ended 31 December 2013 and year ending 31 December 2014 to be exceeded. Having considered the factors mentioned above, the Board was of the view that the Variation of Terms did not constitute a material change to the terms of the 2012 AM Fee Agreements. Accordingly, the Company was not required to re-comply with the independent shareholders' approval requirement under Chapter 14A of the Listing Rules in connection with the Variation of Terms.

During the year ended 31 December 2013, Jiuzhou Port Company received agency, transportation cum management fees from Ferry Company amounted to HK$47,275,000 (2012: HK$45,977,000) and these intra-group transactions were fully eliminated on consolidation of the Group.

Details of the 2011 AM Fee Agreements, the 2012 AM Fee Agreements and the Supplemental Agreements are set out in the Company's announcements dated 17 November 2011 and 28 September 2012, the circular dated 23 November 2012 and the announcement dated 30 September 2013.

(ii) Under a renewed supply agreement dated 14 November 2011, Jiuzhou Marine Bunker, a company wholly owned by Ferry Company (and therefore is also a connected person of the Company under the Listing Rules), has agreed to supply Resort Hotel diesel fuel on an on-going basis for a term of three years commencing from 1 January 2012 to 31 December 2014. The purchase price payable by Resort Hotel would be the same as the price level applicable to the group companies of ZJ Holdings and/or Ferry Company and shall be paid by Resort Hotel to Jiuzhou Marine Bunker on a monthly basis in arrears.

During the year ended 31 December 2013, Resort Hotel purchased diesel fuel from Jiuzhou Marine Bunker amounted to HK$5,572,000 (2012: HK$6,506,000) and these intra-group transactions were fully eliminated on consolidation of the Group.

Details of the above agreement are set out in the Company's announcement dated 17 November 2011.

## Connected and Continuing Connected Transactions *(Continued)*

### B. Continuing Connected Transactions *(Continued)*

(iii) Under a supply agreement dated 14 November 2011, Zhuhai Jiuzhou Port Petro-filling Station Company Limited ("ZJ Port Station"), a company owned by Ferry Company and Jiuzhou Marine Bunker as to 90% and 10%, respectively (and therefore is a connected person of the Company under the Listing Rules), has agreed to supply Resort Hotel with petrol on an on-going basis for a term of three years commencing from 1 January 2012 to 31 December 2014. The purchase price payable by Resort Hotel would be the same as the price level applicable to the group companies of Ferry Company and shall be paid by Resort Hotel to ZJ Port Station on a monthly basis in arrears.

During the year ended 31 December 2013, Resort Hotel purchased petrol from ZJ Port Station amounted to HK$1,130,000 (2012: HK$1,102,000) and these intra-group transactions were fully eliminated on consolidation of the Group.

Details of the above agreement are set out in the Company's announcement dated 17 November 2011.

(iv) Under a berth leasing agreement dated 15 November 2011, ZJ Holdings 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 three years commencing from 1 January 2012 to 31 December 2014. The rental expenses payable by Jiuzhou Port Company would be the same as the price level applicable to the group companies of ZJ Holdings and shall be paid by Jiuzhou Port Company to ZJ Holdings on a monthly basis in arrears.

During the year ended 31 December 2013, the rental expenses were amounted to HK$1,061,000 (2012: HK$1,061,000).

Details of the above agreement are set out in the Company's announcement dated 17 November 2011.

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.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions as set out in the above notes (i), (ii), (iii) and (iv) paragraphs 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 unqualified 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.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above continuing connected transactions.

## 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.

## Event After the Reporting Period

Details of the significant event of the Group after the reporting period are set out in note 48 to the financial statements.

## Auditors

The financial statements for the year ended 31 December 2013 have been audited by Ernst & Young whose term of office will expire upon the conclusion of the forthcoming annual general meeting. Ernst & Young will retire at the conclusion of the forthcoming annual general meeting.

The Audit Committee has scheduled a meeting to be held in April 2014 to discuss, and if thought fit, to recommend to the Board the appointment of new auditors of the Company to fill in the vacancy arising from the retirement of Ernst & Young at the forthcoming annual general meeting. The recommendation of new auditors of the Company by the Audit Committee will be proposed to the Board which may, if thought fit, submit the same to the forthcoming annual general meeting for consideration and approval by the shareholders. A circular containing, among other things, further details of the proposal, together with the notice of annual general meeting will be despatched to the shareholders in due course.

Save as aforesaid, there was no other change of auditors in the past three years.

ON BEHALF OF THE BOARD

**Chen Yuanhe**
*Chairman*

Hong Kong
27 March 2014

# 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 2013 of the Company and its subsidiaries (the "Group").

The manner in which the principles and code provisions in the Corporate Governance Code (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 which set 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 deviations:

(i) Code provision A.1.1 – only two regular Board meetings of the Company were held in the first and third quarters of 2013 since the Company does not announce its quarterly results;

(ii) Code provision A.4.1 – the Company's directors including independent non-executive directors, who may not have fixed term of office, as they are subject to retirement by rotation and re-election in accordance with the Company's Bye-laws; and

(iii) Code provision A.6.7 – one independent non-executive director of the Company was unable to attend the annual general meeting of the Company held on 26 June 2013 and the special general meeting of the Company held on 18 July 2013 due to other unavoidable work commitments.

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, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance as well as performing the functions set out in the code provision D.3.1 of the CG Code.

The Board has delegated to the Chief Executive Officer, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

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.

All directors shall ensure that they carry out duties in good faith, in compliance with the standards of applicable laws and regulations, and act in the interests of the Company and its shareholders at all times.

### Board composition

The Board currently comprises 9 members, consisting of 5 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. Huang Xin *(Chief Executive Officer)* | |
| Mr. Jin Tao | |
| Mr. Meng Bin | (resigned on 17 December 2013) |
| Mr. Ye Yuhong | |
| Mr. Li Wenjun | |

**Non-Executive Director:**

| | |
|---|---|
| Datuk Lim Hock Guan | (appointed on 12 August 2013) |

**Independent Non-Executive Directors:**

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

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

Save and except for that Mr. Wong Kok Ching is the nephew of Datuk Lim Hock Guan, none of the member of the Board is related to one another and the biographical information of the directors are disclosed under "Directors and Senior Management" on pages 27 to 30.

## Board of Directors *(Continued)*

### Independent Non-Executive Directors

During the year ended 31 December 2013, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board 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 are independent in accordance with the independence guidelines set out the Listing Rules.

All directors, including 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, Nomination 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.

### 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 independent non-executive directors are not appointed for a specific term.

Although the directors are not appointed for a specific term, all directors of the Company are subject to retirement by rotation once every three years and re-election at the annual general meeting and any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment pursuant to code provision A.4.2 of the CG Code and the Company's Bye-laws.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Bye-laws. The Board has delegated the power to the Nomination Committee to select and recommend candidates for directorship including the consideration of referrals and engagement of external recruitment professionals when necessary. The responsibilities of Nomination Committee are set out in the heading "Nomination Committee" below.

## Board of Directors *(Continued)*

### Nomination Committee

The Board has established a Nomination Committee for the Company. The Nomination Committee comprises 5 members, namely Mr. Chen Yuanhe (Chairman), Mr. Ye Yuhong, Mr. Hui Chiu Chung, Mr. Chu Yu Lin, David and Mr. Albert Ho, the majority of them are independent non-executive directors.

The primary objectives of the Nomination Committee include the following:

- To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.
- To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.
- To assess the independence of the independent non-executive directors.
- To make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive.

The Nomination Committee held one meeting during the year ended 31 December 2013 and the attendance records are set out below:

| Name of directors | Attendance/ Number of Meetings |
|---|---|
| **Executive Directors:** | |
| Mr. Chen Yuanhe *(Chairman)* | 1/1 |
| Mr. Ye Yuhong | 1/1 |
| **Independent Non-executive Directors:** | |
| Mr. Hui Chiu Chung | 1/1 |
| Mr. Chu Yu Lin, David | 1/1 |
| Mr. Albert Ho | 1/1 |

In accordance with the Company's Bye-laws, Mr. Huang Xin, Mr. Li Wenjun and Mr. Albert Ho shall retire by rotation at the forthcoming annual general meeting. In addition, Datuk Lim Hock Guan who has been appointed by the Board on 12 August 2013, shall hold office until the forthcoming annual general meeting pursuant to 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 the Company's Bye-laws.

The Nomination Committee has assessed the independence of the independent non-executive directors and reviewed the structure, size and composition of the Board as well as recommended the re-appointment of the retiring directors standing for re-election at the forthcoming annual general meeting of the Company.

The Company will issue a circular containing detailed information of the retiring directors standing for re-election at the forthcoming annual general meeting.

The Nomination Committee has also considered an appropriate balance of diversity perspectives of the Board is maintained.

## Board of Directors *(Continued)*

### Training induction and continuing professional 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 of the Company 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 as well as reading material on relevant topics to directors will be arranged and issued whenever necessary.

All directors of the Company confirmed that they have complied with the code provision A.6.5 of the CG Code on directors' training. During the reporting year, all directors have participated in continuous professional development by attending seminars/in-house briefing and reading materials on the following topics to develop and refresh their knowledge and skills and provided their records of training to the Company as follows:

| Name of directors | | Topics of training covered *(Notes)* |
|---|---|---|
| **Executive Directors:** | | |
| Mr. Chen Yuanhe *(Chairman)* | | 1, 2, 3 |
| Mr. Huang Xin *(Chief Executive Officer)* | | 1, 2, 3 |
| Mr. Jin Tao | | 1, 2, 3 |
| Mr. Meng Bin | (resigned on 17 December 2013) | 1, 2, 3 |
| Mr. Ye Yuhong | | 1, 2, 3 |
| Mr. Li Wenjun | | 1, 2, 3 |
| **Non-Executive Director:** | | |
| Datuk Lim Hock Guan | (appointed on 12 August 2013) | 1, 2, 3 |
| **Independent Non-Executive Directors:** | | |
| Mr. Hui Chiu Chung | | 1, 2, 3 |
| Mr. Chu Yu Lin, David | | 1, 2, 3 |
| Mr. Albert Ho | | 1, 2, 3 |

*Notes:*

1 Corporate governance
2 Regulatory updates
3 Industry updates

## 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 Meetings *(Continued)*

## Number of Board Meetings and Directors' attendance records

During the year ended 31 December 2013, two regular Board meetings were held within the first and third quarters of 2013 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 the year ended 31 December 2013.

The attendance records of each director at the Board meetings and general meetings of the Company during the year ended 31 December 2013 are set out below:

| | | Attendance/ Number of Board Meetings | Attendance/ Number of Annual General Meeting | Attendance/ Number of Other General Meeting |
|---|---|---|---|---|
| **Executive Directors:** | | | | |
| Mr. Chen Yuanhe *(Chairman)* | | 11/11# | 1/1 | 1/1 |
| Mr. Huang Xin *(Chief Executive Officer)* | | 10/10 | 1/1 | 1/1 |
| Mr. Jin Tao | | 10/10 | 0/1 | 1/1 |
| Mr. Meng Bin | (resigned on 17 December 2013) | 9/9 | 0/1 | 0/1 |
| Mr. Ye Yuhong | | 10/10 | 0/1 | 1/1 |
| Mr. Li Wenjun | | 10/10 | 0/1 | 1/1 |
| **Non-Executive Director:** | | | | |
| Datuk Lim Hock Guan | (appointed on 12 August 2013) | 7/7# | 0/0 | 0/0 |
| **Independent Non-Executive Directors:** | | | | |
| Mr. Hui Chiu Chung | | 11/11# | 1/1 | 1/1 |
| Mr. Chu Yu Lin, David | | 11/11# | 0/1 | 0/1 |
| Mr. Albert Ho | | 11/11# | 1/1 | 1/1 |

# Included a meeting among the Chairman and the non-executive directors (including independent non-executive directors) held during the year.

Apart from regular Board Meetings, the Chairman also held a meeting with the non-executive directors (including independent non-executive directors) without the presence of executive directors during the year.

## 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 2013.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Securities Dealing Code") 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 Securities Dealing Code by the employees was noted by the Company during the year ended 31 December 2013.

## 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 three committees, namely, the Nomination Committee, 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 2013 are set out in note 8 to the financial statements.

The remuneration paid to the senior management (excluding the directors) during the year ended 31 December 2013 were within the following bands:

| Bands | Number of senior management |
|---|---|
| Nil to HK$1,000,000 | 5 |
| HK$1,000,001 to HK$1,500,000 | – |
| | 5 |

## Remuneration of Directors and Senior Management *(Continued)*

### Remuneration Committee

The Remuneration Committee currently comprises all the three independent non-executive directors namely, Mr. Hui Chiu Chung (Chairman), Mr. Chu Yu Lin, David and Mr. Albert Ho.

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 and recommended to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive directors and the senior management for the year under review.

The Remuneration Committee held two meetings during the year ended 31 December 2013 and the attendance records are set out below:

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

## 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 2013.

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.

As set out in note 2.2 to the financial statements in this annual report ("Note 2.2"), as at 31 December 2013, the Group had net current liabilities of HK$879,837,000, which mainly included an interest-bearing other borrowing of RMB1,300,000,000 (approximately HK$1,653,460,000) (the "Bridging Loan"). The Bridging Loan is borrowed by 珠海國際賽車場綜合發展有限公司, a 60%-owned subsidiary of the Group (the "Project Subsidiary") from an independent third party for financing the partial payment of the land premium for obtaining land use right certificates of a parcel of land (the "Project Land") located in Zhuhai, the PRC with an aggregate area of 788,400 square metres. The Bridging Loan bears interest at 13% per annum, is repayable in August 2014 and secured by (i) corporate guarantees of ZJ Holdings, a substantial shareholder of the Company, the immediate holding company of the non-controlling equity holder of the Project Subsidiary, and the Company; and (ii) the land use right of certain part of the Project Land with an aggregate area of 624,217 square metres. In order to repay the Bridging Loan, on 12 March 2014, the Company entered into a term sheet with an independent potential investor which indicated its willingness to invest in the Project Subsidiary by way of equity subscription. Please refer to Note 2.2 for further details. Given the conditional and non-legally binding nature of this term sheet, the proposed transaction thereunder may or may not proceed as contemplated or at all.

Should the formal agreement not be entered into or the potential capital injection not be completed, the directors are positive that additional funding would be available from other refinancing arrangements before the maturity of the Bridging Loan.

On the basis that the Group would obtain additional funding to settle the Bridging Loan, the directors are satisfied that the Group will be able to meet its financial obligations, including the Bridging Loan, as and when they fall due for the foreseeable future, and are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the financial statements.

## Accountability and Audit *(Continued)*

### Directors' responsibilities for financial reporting *(Continued)*

There is no different view taken by the Audit Committee from that of the Board regarding selection, appointment, resignation or dismissal of the external auditors.

### 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 currently comprises all the three independent non-executive directors namely, Mr. Albert Ho (Chairman), Mr. Hui Chiu Chung and Mr. Chu Yu Lin, David (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; and
- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

## Audit Committee *(Continued)*

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

During the year under review, the Audit Committee has reviewed the Group's unaudited interim financial report for the six months ended 30 June 2013, annual results and annual report for the year ended 31 December 2013, 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 2013 and the attendance records are set out below:

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

## 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 56 to 57.

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

| Category of services | Fees paid/Payable (HK$) |
|---|---|
| Audit service | 1,800,000 |
| Non-audit services | |
| – Being a reporting accountant for a corporate exercise | 1,650,000 |
| – Interim review | 570,000 |
| – Taxation service | 55,350 |
| – Others | 523,000 |
| Total | 4,598,350 |

## Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Securities Dealing Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

## 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 chairman of the Nomination Committee, 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.

During the year under review, the Company has not made any change to its Memorandum of Association and Bye-laws of the Company during the year. A consolidated version of the Company's Memorandum of Association and Bye-laws is available on the Company's website and the Stock Exchange's website respectively.

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 principal place of business in Hong Kong or via email to info@0908.hk for any inquiries.

The 2014 Annual General Meeting ("AGM") will be held on 12 June 2014. The notice of AGM will be sent to shareholders at least 20 clear business days before the AGM.

## 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 (except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands) 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.

The directors may, whenever they think fit, convene a special general meeting other than annual general meeting, and special general meetings shall also be convened on requisition, as provided by the Companies Act 1981 of Bermuda, and, in default, may be convened by the requisitionists according to the Company's Bye-laws.

### A. Convening of special general meeting on requisition and putting forward proposals at general meetings

Shareholders holding not less than one-tenth of the paid-up share capital of the Company which carries the right of voting at general meetings of the Company have the right to requisite the directors to convene a special general meeting of the Company. The requisition must state the purposes of the meeting, and must be signed by the requisitionist and deposited at the registered office of the Company.

If the directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a general meeting, the requisitionist, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a special general meeting of the Company.

### B. Enquiries from shareholders

The Company's website (www.0908.hk) provides email address, postal address, fax number and telephone number by which enquiries may be put to the Company.

# INDEPENDENT AUDITORS' REPORT

EY 安永

**To the shareholders of Zhuhai Holdings Investment Group Limited**

*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Zhuhai Holdings Investment Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 58 to 162, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, 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.

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 2013, 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.

## Emphasis of matter

Without qualifying our opinion, we draw attention to note 2.2 to the financial statements which indicates that the Group has net current liabilities of HK$879,837,000 as at 31 December 2013. This condition, along with other matters as set forth in note 2.2 to the financial statements, indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

**Ernst & Young**
*Certified Public Accountants*

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
27 March 2014

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2013*

| | Notes | 2013 HK$'000 | 2012 HK$'000 (Restated) |
|---|---|---|---|
| **REVENUE** | 5 | **1,107,835** | 967,547 |
| Cost of sales | | **(771,054)** | (709,708) |
| Gross profit | | **336,781** | 257,839 |
| Other income and gains, net | 5 | **170,582** | 109,838 |
| Gain on bargain purchase | 39 | **181,121** | – |
| Selling and distribution expenses | | **(68,362)** | (57,489) |
| Administrative expenses | | **(187,986)** | (129,955) |
| Other operating expenses, net | | **(11,030)** | (8,924) |
| Finance costs | 7 | **(102,675)** | – |
| Share of profits and losses of: | | | |
| A joint venture | | **2,536** | 19 |
| An associate | | **(238)** | – |
| **PROFIT BEFORE TAX** | 6 | **320,729** | 171,328 |
| Income tax expense | 9 | **(69,916)** | (52,729) |
| **PROFIT FOR THE YEAR** | | **250,813** | 118,599 |
| Attributable to: | | | |
| Ordinary equity holders of the Company | 10 | **209,129** | 69,178 |
| Non-controlling interests | | **41,684** | 49,421 |
| | | **250,813** | 118,599 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY** | 12 | | |
| Basic | | **HK17.23 cents** | HK6.18 cents |
| Diluted | | **HK16.34 cents** | HK6.18 cents |

Details of the dividends for the year are disclosed in note 11 to the financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2013*

| | 2013<br>HK$'000 | 2012<br>HK$'000<br>(Restated) |
|---|---|---|
| **PROFIT FOR THE YEAR** | **250,813** | 118,599 |
| **OTHER COMPREHENSIVE INCOME/(EXPENSE)** | | |
| Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods: | | |
| Available-for-sale investments: | | |
| Changes in fair value | **1,400** | (1,400) |
| Exchange differences on translation of foreign operations | **145,889** | (163) |
| Net other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods | **147,289** | (1,563) |
| Other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent periods: | | |
| Gains/(deficits) on property revaluation | **61,581** | (5,645) |
| Deferred tax effect | **(15,395)** | 1,411 |
| Net other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent periods | **46,186** | (4,234) |
| **OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX** | **193,475** | (5,797) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **444,288** | 112,802 |
| **ATTRIBUTABLE TO:** | | |
| Ordinary equity holders of the Company | **358,556** | 63,385 |
| Non-controlling interests | **85,732** | 49,417 |
| | **444,288** | 112,802 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2013*

| | Notes | 31 December 2013 HK$'000 | 31 December 2012 HK$'000 (Restated) | 1 January 2012 HK$'000 (Restated) |
|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | |
| Property, plant and equipment | *13* | **696,490** | 560,506 | 571,474 |
| Prepaid land lease payments | *14* | **419,781** | 161,737 | 169,143 |
| Rights to use port facilities | *15* | **19,143** | 19,271 | 19,984 |
| Properties under development | *16* | **5,502,052** | – | – |
| Intangible asset | *17* | **5,322** | 5,160 | 6,020 |
| Interests in a joint venture | *20* | **9,736** | 9,185 | – |
| Interests in associates | *21* | **9,318** | 8,742 | 1,212 |
| Available-for-sale investments | *22* | **11,190** | 9,742 | 11,253 |
| Prepayments and deposits | *23(a)* | **24,496** | 128,312 | 113,439 |
| Total non-current assets | | **6,697,528** | 902,655 | 892,525 |
| **CURRENT ASSETS** | | | | |
| Properties under development | *16* | **404,000** | – | – |
| Securities measured at fair value through profit or loss | *24* | **1,138** | 70,530 | 464,463 |
| Inventories | *25* | **16,115** | 20,596 | 15,891 |
| Trade receivables | *26* | **58,074** | 65,504 | 59,673 |
| Prepayments, deposits and other receivables | *23(b)* | **151,092** | 80,072 | 53,436 |
| Due from a shareholder | *27* | **–** | 7,155 | 18,633 |
| Due from related companies | *27* | **114,896** | 703 | 4,740 |
| Restricted bank balance | *28* | **890** | 863 | 1,727 |
| Cash and cash equivalents | *28* | **911,124** | 783,318 | 457,896 |
| Total current assets | | **1,657,329** | 1,028,741 | 1,076,459 |
| **CURRENT LIABILITIES** | | | | |
| Trade payables | *29* | **39,541** | 36,940 | 32,783 |
| Deferred income, accrued liabilities and other payables | *30* | **365,663** | 218,215 | 187,812 |
| Construction payables | *31* | **9,066** | 17,496 | 8,588 |
| Interest-bearing bank and other borrowings | *32* | **1,717,055** | – | – |
| Tax payable | | **16,702** | 21,541 | 16,094 |
| Derivative financial instruments | *33* | **106,064** | – | – |
| Promissory note | *34* | **250,000** | – | – |
| Warrants | *35* | **12,606** | – | – |
| Due to a shareholder | *27* | **16,637** | – | – |
| Due to related companies | *27* | **3,832** | 3,475 | 4,754 |
| Total current liabilities | | **2,537,166** | 297,667 | 250,031 |

| | Notes | 31 December 2013 HK$'000 | 31 December 2012 HK$'000 (Restated) | 1 January 2012 HK$'000 (Restated) |
|---|---|---|---|---|
| **NET CURRENT ASSETS/(LIABILITIES)** | | **(879,837)** | 731,074 | 826,428 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **5,817,691** | 1,633,729 | 1,718,953 |
| **NON-CURRENT LIABILITIES** | | | | |
| Convertible bonds | *33* | **387,121** | – | – |
| Promissory note | *34* | **461,312** | – | – |
| Loan from a shareholder | *27* | **373,468** | – | – |
| Deferred income | *30* | **128,178** | – | – |
| Deferred tax liabilities | *36* | **895,367** | 28,399 | 23,195 |
| Total non-current liabilities | | **2,245,446** | 28,399 | 23,195 |
| Net assets | | **3,572,245** | 1,605,330 | 1,695,758 |
| **EQUITY** | | | | |
| **Equity attributable to ordinary equity holders of the Company** | | | | |
| Issued capital | *37* | **141,416** | 111,860 | 111,860 |
| Reserves | *38(a)* | **2,100,082** | 1,313,187 | 1,359,417 |
| | | **2,241,498** | 1,425,047 | 1,471,277 |
| **Non-controlling interests** | | **1,330,747** | 180,283 | 224,481 |
| Total equity | | **3,572,245** | 1,605,330 | 1,695,758 |

**Chen Yuanhe**
*Director*

**Huang Xin**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*Year ended 31 December 2013*

| | Attributable to ordinary equity holders of the Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital HK$'000 | Share premium account HK$'000 | Contributed surplus HK$'000 | Merger reserve HK$'000 (Restated) | Goodwill reserve HK$'000 | Asset revaluation reserve HK$'000 | Available-for-sale investment revaluation reserve HK$'000 | Statutory reserve funds HK$'000 (Restated) | Exchange fluctuation reserve HK$'000 (Restated) | Retained profits HK$'000 (Restated) | Total HK$'000 (Restated) | Non-controlling interests HK$'000 (Restated) | Total equity HK$'000 (Restated) |
| At 1 January 2012, as previously reported | 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 |
| Effect of business combinations under common control *(note 2.3)* | – | – | – | 29,933## | – | – | – | 4,247 | 2,122 | 17,551 | 53,853 | 204,786 | 258,639 |
| At 1 January 2012, as restated | 111,860 | 459,870 | 446,355 | 29,933 | (200,573) | 40,482 | 3,800 | 122,115 | 234,073 | 223,362 | 1,471,277 | 224,481 | 1,695,758 |
| Profit for the year | – | – | – | – | – | – | – | – | – | 69,178 | 69,178 | 49,421 | 118,599 |
| Other comprehensive expense for the year | | | | | | | | | | | | | |
| Changes in fair value of available-for-sale investments | – | – | – | – | – | – | (1,400) | – | – | – | (1,400) | – | (1,400) |
| Exchange differences on translation of foreign operations | – | – | – | – | – | – | – | – | (159) | – | (159) | (4) | (163) |
| Deficits on property revaluation, net of tax | – | – | – | – | – | (4,234) | – | – | – | – | (4,234) | – | (4,234) |
| Total comprehensive income/(expense) for the year | – | – | – | – | – | (4,234) | (1,400) | – | (159) | 69,178 | 63,385 | 49,417 | 112,802 |
| 2011 final dividend declared *(note 11)* | – | – | – | – | – | – | – | – | – | (11,186) | (11,186) | – | (11,186) |
| 2011 special dividend declared *(note 11)* | – | – | – | – | – | – | – | – | – | (11,186) | (11,186) | – | (11,186) |
| Dividend paid to a non-controlling shareholder | – | – | – | – | – | – | – | – | – | – | – | (2,812) | (2,812) |
| Transfer to statutory reserve funds | – | – | – | – | – | – | – | 11,421 | – | (11,421) | – | – | – |
| Business combination under common control | – | – | – | (87,243) | – | – | – | – | – | – | (87,243) | (90,803) | (178,046) |
| At 31 December 2012 | 111,860 | 459,870* | 446,355* | (57,310)* | (200,573)* | 36,248* | 2,400* | 133,536* | 233,914* | 258,747* | 1,425,047 | 180,283 | 1,605,330 |
| At 1 January 2013, as previously reported | 111,860 | 459,870 | 446,355 | – | (200,573) | 36,248 | 2,400 | 129,289 | 231,792 | 231,423 | 1,448,664 | 20,224 | 1,468,888 |
| Effect of business combinations under common control *(note 2.3)* | – | – | – | (57,310)# | – | – | – | 4,247 | 2,122 | 27,324 | (23,617) | 160,059 | 136,442 |
| At 1 January 2013, as restated | 111,860 | 459,870 | 446,355 | (57,310) | (200,573) | 36,248 | 2,400 | 133,536 | 233,914 | 258,747 | 1,425,047 | 180,283 | 1,605,330 |
| Profit for the year | – | – | – | – | – | – | – | – | – | 209,129 | 209,129 | 41,684 | 250,813 |
| Other comprehensive income for the year | | | | | | | | | | | | | |
| Changes in fair value of available-for-sale investments | – | – | – | – | – | – | 1,400 | – | – | – | 1,400 | – | 1,400 |
| Exchange differences on translation of foreign operations | – | – | – | – | – | – | – | – | 101,841 | – | 101,841 | 44,048 | 145,889 |
| Gains on property revaluation, net of tax | – | – | – | – | – | 46,186 | – | – | – | – | 46,186 | – | 46,186 |
| Total comprehensive income for the year | – | – | – | – | – | 46,186 | 1,400 | – | 101,841 | 209,129 | 358,556 | 85,732 | 444,288 |
| Acquisition of subsidiaries *(note 39)* | – | – | – | – | – | – | – | – | – | – | – | 1,142,967 | 1,142,967 |
| Issue of shares *(note 37)* | 29,556 | 428,339 | – | – | – | – | – | – | – | – | 457,895 | – | 457,895 |
| Dividend paid to non-controlling shareholders | – | – | – | – | – | – | – | – | – | – | – | (78,235) | (78,235) |
| Transfer to statutory reserve funds | – | – | – | – | – | – | – | 15,272 | – | (15,272) | – | – | – |
| At 31 December 2013 | 141,416 | 888,209* | 446,355* | (57,310)* | (200,573)* | 82,434* | 3,800* | 148,808* | 335,755* | 452,604* | 2,241,498 | 1,330,747 | 3,572,245 |

* These reserve accounts comprise the consolidated reserves of HK$2,100,082,000 (2012 (Restated): HK$1,313,187,000) in the consolidated statement of financial position.

# The balance represents the Group's 49% share on the excess of the fair value of the consideration for the deemed acquisition of certain entities (the "Entities") under common control of Zhuhai Jiuzhou Holdings Group Company Limited by Zhuhai High-speed Passenger Ferry Co., Ltd., a 49% owned subsidiary, in September 2012 (the "Entities Acquisition") in aggregate of HK$178,046,000 over the nominal value of the paid-up capital of the Entities in aggregate of HK$61,087,000.

## The balance represents the Group's 49% share of nominal value of the paid-up capital of the Entities prior to the completion of the Entities Acquisition.

# CONSOLIDATED STATEMENT OF CASH FLOWS

*Year ended 31 December 2013*

| | Notes | 2013 HK$'000 | 2012 HK$'000 (Restated) |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | **320,729** | 171,328 |
| Adjustments for: | | | |
| Share of profits and losses of a joint venture | | **(2,536)** | (19) |
| Share of profits and losses of an associate | | **238** | – |
| Interest income | 5 | **(29,647)** | (17,683) |
| Dividend income from listed equity investments | 5 | **(417)** | (7,638) |
| Dividend income from unlisted investment funds | 5 | **–** | (6,484) |
| Gain on bargain purchase | 39 | **(181,121)** | – |
| Fair value loss on warrants | 5 | **11,916** | – |
| Fair value gain on derivative financial instruments | 5 | **(17,234)** | – |
| Finance costs | 7 | **102,675** | – |
| Depreciation | 6 | **60,685** | 57,943 |
| Amortisation of Land Prepayments (as defined in note 23(a)) | 6 | **3,872** | 4,380 |
| Amortisation of prepaid land lease payments | 6 | **12,093** | 7,444 |
| Amortisation of rights to use port facilities | 6 | **709** | 709 |
| Loss on disposal and write-off of items of property, plant and equipment, net | 6 | **901** | 202 |
| Impairment/(write-back of impairment) of trade receivables | 6 | **5,604** | (228) |
| Impairment of an intangible asset | 6 | **–** | 860 |
| Deficits on property revaluation | 6 | **6,461** | – |
| Write-back of impairment on deposit for the proposed acquisition of a subsidiary in prior years | 5 | **(30,000)** | – |
| | | **264,928** | 210,814 |
| Increase in properties under development | | **(2,330,174)** | – |
| Decrease in securities measured at fair value through profit or loss | | **69,392** | 393,933 |
| Decrease/(increase) in inventories | | **6,747** | (4,705) |
| Decrease/(increase) in trade receivables | | **2,432** | (5,602) |
| Increase in prepayments, deposits and other receivables | | **(48,786)** | (25,065) |
| Increase in trade payables | | **1,129** | 4,157 |
| Increase in deferred income, accrued liabilities and other payables | | **141,621** | 17,539 |
| Increase/(decrease) in construction payables | | **(8,430)** | 8,908 |
| Movement in balances with related companies | | **1,246** | 2,758 |
| Cash generated from/(used in) operations | | **(1,899,895)** | 602,737 |
| Overseas taxes paid | | **(77,045)** | (40,665) |
| Dividend received | | **417** | 14,122 |
| Net cash flows from/(used in) operating activities | | **(1,976,523)** | 576,194 |

## CONSOLIDATED STATEMENT OF CASH FLOWS

*Year ended 31 December 2013*

| | Notes | 2013 HK$'000 | 2012 HK$'000 (Restated) |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Interest received | | **29,647** | 17,683 |
| Dividend received from a joint venture | | **2,356** | – |
| Purchases of items of property, plant and equipment | | **(62,121)** | (56,123) |
| Addition of prepaid land lease payments | | **–** | (47) |
| Proceeds from disposal of items of property, plant and equipment | | **6,592** | 3,196 |
| Deposit and prepayment paid for the proposed acquisition of certain parcels of land | | **–** | (8,013) |
| Acquisition of a joint venture | | **–** | (9,166) |
| Movement in balance with an associate | | **(809)** | (7,530) |
| Movement in balances with a shareholder | | **23,792** | 11,478 |
| Decrease in an amount due from a related company | | **104,881** | – |
| Decrease/(increase) in restricted bank balance | | **(27)** | 864 |
| Decrease/(increase) in time deposits with original maturity of over three months when acquired | | **(506)** | 17,919 |
| Acquisition of subsidiaries | *39* | **(453,352)** | – |
| Entities Acquisition under common control | | **–** | (178,046) |
| Net cash flows used in investing activities | | **(349,547)** | (207,785) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of shares | *37(b)* | **106,400** | – |
| Share issue expenses | *37(b)* | **(2,640)** | – |
| Proceeds from issue of convertible bonds | *33* | **500,000** | – |
| Transaction costs directly attributable to issue of convertible bonds | *33* | **(7,391)** | – |
| Proceeds from issue of warrants | | **690** | – |
| New bank and other borrowings | | **1,666,851** | – |
| Dividends paid | *11* | **–** | (22,372) |
| Dividend paid to non-controlling shareholders | | **(78,235)** | (2,812) |
| Interest paid | | **(90,362)** | – |
| Increase in a loan from a shareholder | | **344,831** | – |
| Net cash flows from/(used in) financing activities | | **2,440,144** | (25,184) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **114,074** | 343,225 |
| Cash and cash equivalents at beginning of year | | **775,333** | 431,992 |
| Effect of foreign exchange rate changes, net | | **13,226** | 116 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **902,633** | 775,333 |

| | Notes | 2013 HK$'000 | 2012 HK$'000 (Restated) |
|---|---|---|---|
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | |
| Cash and bank balances | *28* | **802,548** | 652,409 |
| Non-pledged time deposits with original maturity of less than three months when acquired | *28* | **100,085** | 122,924 |
| Non-pledged time deposits with original maturity of over three months when acquired | *28* | **8,491** | 7,985 |
| Cash and cash equivalents as stated in the consolidated statement of financial position | | **911,124** | 783,318 |
| Less: Time deposits with original maturity of over three months when acquired | *28* | **(8,491)** | (7,985) |
| Cash and cash equivalents as stated in the consolidated statement of cash flows | | **902,633** | 775,333 |

# STATEMENT OF FINANCIAL POSITION

*31 December 2013*

| | Notes | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 13 | **667** | 70 |
| Investments in subsidiaries | 19 | **2,470,686** | 1,176,498 |
| Available-for-sale investments | 22 | **9,600** | 8,200 |
| Deposit | 23(a) | **–** | – |
| Total non-current assets | | **2,480,953** | 1,184,768 |
| **CURRENT ASSETS** | | | |
| Securities measured at fair value through profit or loss | 24 | **1,138** | 983 |
| Deposits and other receivables | 23(b) | **41,718** | 983 |
| Due from subsidiaries | 19 | **368,302** | – |
| Cash and cash equivalents | 28 | **127,468** | 26,891 |
| Total current assets | | **538,626** | 28,857 |
| **CURRENT LIABILITIES** | | | |
| Accrued liabilities and other payables | 30 | **9,370** | 8,510 |
| Derivative financial instruments | 33 | **106,064** | – |
| Promissory note | 34 | **250,000** | – |
| Warrants | 35 | **12,606** | – |
| Total current liabilities | | **378,040** | 8,510 |
| **NET CURRENT ASSETS** | | **160,586** | 20,347 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **2,641,539** | 1,205,115 |
| **NON-CURRENT LIABILITIES** | | | |
| Convertible bonds | 33 | **387,121** | – |
| Promissory note | 34 | **461,312** | – |
| Total non-current liabilities | | **848,433** | – |
| **Net assets** | | **1,793,106** | 1,205,115 |
| **EQUITY** | | | |
| Issued capital | 37 | **141,416** | 111,860 |
| Reserves | 38(b) | **1,651,690** | 1,093,255 |
| Total equity | | **1,793,106** | 1,205,115 |

**Chen Yuanhe**
*Director*

**Huang Xin**
*Director*

## 1. Corporate Information

Zhuhai Holdings Investment Group 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
- provision of port facilities and ferry services
- management of a holiday resort
- management of a theme park
- management of an amusement park
- property development
- operation of a golf club

Pursuant to a special resolution passed at the special general meeting of the Company held on 18 December 2012 and approval from the Registrar of Companies in Bermuda, the name of the Company was changed from Jiuzhou Development Company Limited to Zhuhai Holdings Investment Group Limited.

The Company also changed its Chinese name from 九洲發展有限公司 to 珠海控股投資集團有限公司 which is part of its legal name.

## 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 were 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.

## 2.1 Corporate Update *(Continued)*

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 Holdings Group Company Limited (formerly known as Zhuhai Jiuzhou Tourism Group Co., Ltd.) ("ZJ Holdings"), a substantial shareholder of the Company. ZJ Holdings 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) one of the joint venture partners of Zhuhai High-Speed Passenger Ferry Co., Ltd. ("Ferry Company"), a non-wholly owned subsidiary of the Group. 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.

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

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

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

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

On 25 September 2009, all conditions precedent set out in the Debt Restructuring Agreement were satisfied and the whole debt restructuring process of Zhu Kuan Macau and Zhu Kuan (HK) was completed and both Zhu Kuan Macau and Zhu Kuan (HK) have been released from winding-up petitions. On 29 November 2010, the High Court granted a permanent stay on the proceedings of provisional liquidation on PIV.

On 15 April 2010, Zhu Kuan Macau, ZJ Holdings 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 ZJ Holdings pursuant to the previous loan and related security documents made between the parties. The transactions as contemplated by the Framework Agreement are subject to a formal agreement being signed, and the formal agreement (if signed) would set out terms and conditions which would 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 would enter into a formal sale and purchase cum settlement agreement in relation to the transfer of 337 million of shares in the Company held by PIV to Longway.

## 2.1 Corporate Update *(Continued)*

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.

On 11 September 2013, Longway and PIV entered into an agreement (the "SP Agreement"), pursuant to which PIV agreed to sell to Longway a total of 337 million shares of HK$0.1 each in the Company. 337 million shares of the Company were transferred to Longway on the same day, i.e., 11 September 2013. Details of the completion of the SP Agreement have been set out in the Company's announcement made on 11 September 2013.

### Deemed acquisition of Ferry Company

On 28 December 2012, ZJ Holdings and an independent third party (the "Purchaser") entered into an acquisition agreement, pursuant to which ZJ Holdings agreed to sell a 8% equity interest in Ferry Company to the Purchaser (the "Disposal"). Prior to the completion of the Disposal, ZJ Holdings directly controlled 51% voting right in Ferry Company and indirectly controlled 49% voting right in Ferry Company through the Group. The Disposal was completed on 23 May 2013. Details of the Disposal have been set out in the Company's announcements made on 4 March 2013 and 25 July 2013.

Upon the completion of the Disposal, Ferry Company is owned as to 49% by the Group, 43% by ZJ Holdings and 8% by the Purchaser and the composition of the board of directors of Ferry Company is revised pursuant to the supplemental joint venture agreement and the supplemental articles of association of Ferry Company entered into among the Group, ZJ Holdings and the Purchaser to the effect that the Group obtains more than half of voting power over Ferry Company and therefore obtains control over the financial and operating policies of Ferry Company. Since then Ferry Company is accounted for as a subsidiary of the Company (the "Deemed Acquisition").

### Acquisition of Lamdeal Consolidated Development Limited and Lamdeal Golf & Country Club Limited

On 10 April 2013, Jiuzhou Tourism Property Company Limited ("JTP"), a wholly-owned subsidiary of the Company, as purchaser, the Company as the purchaser's guarantor, Dragon Hill Corporation Limited (the "Vendor"), an indirectly wholly-owned subsidiary of LBS Bina Group Berhad ("LBS"), as vendor and LBS as the vendor's guarantor entered into a conditional sale and purchase agreement ("Lamdeal SP Agreement"), pursuant to which JTP had conditionally agreed to acquire from the Vendor the entire issued share capital of Lamdeal Consolidated Development Limited ("Lamdeal Development") and Lamdeal Golf & Country Club Limited ("Lamdeal Golf") (the "Acquisition") at the aggregate consideration which was satisfied by (1) cash in the amount of HK$500 million; (2) allotment and issue of 225,563,909 ordinary shares of HK$0.1 each of the Company at the issue price of HK$1.33 per share (the "Consideration Shares"); and (3) a promissory note issued by the Company to the Vendor with the nominal amount of HK$850 million ("Promissory Note"). The Acquisition was completed on 12 August 2013. The principal activities of Lamdeal Golf and its subsidiaries (the "Lamdeal Golf Group") are operation of a golf club in Zhuhai, the People's Republic of China (the "PRC"), and that of Lamdeal Development and its subsidiaries (the "Lamdeal Development Group") are property development on certain parcels of land. Details of the Acquisition and the terms of the Promissory Note have been set out in the Company's announcements made on 10 April 2013 and 12 August 2013 and circular dated 28 June 2013. For details of this business combination, please refer to note 39 to the financial statements.

## 2.2 Basis of Presentation

As at 31 December 2013, the Group had net current liabilities of HK$879,837,000, which mainly included an interest-bearing other borrowing of RMB1,300,000,000 (approximately HK$1,653,460,000) (the "Bridging Loan"). The Bridging Loan is borrowed by 珠海國際賽車場綜合發展有限公司, a 60%-owned subsidiary of the Group (the "Project Subsidiary" or "Zhuhai Development") from an independent third party for financing the partial payment of the land premium for obtaining land use right certificates of a parcel of land (the "Project Land") located in Zhuhai, the PRC, with an aggregate area of 788,400 square metres.

The Bridging Loan bears interest at 13% per annum, is repayable in August 2014 and secured by (i) corporate guarantees of ZJ Holdings, the immediate holding company of the non-controlling equity holder of the Project Subsidiary, and the Company; and (ii) the land use right of certain part of the Project Land with an aggregate area of 624,217 square metres.

In order to finance the repayment of the Bridging Loan, on 12 March 2014, the Company entered into a term sheet (the "Term Sheet") with an independent potential investor (the "Investor") which indicated its willingness to invest in the Project Subsidiary by way of subscription of a 30% equity interest of enlarged equity of the Project Subsidiary at a consideration of RMB1,440,000,000 (approximately HK$1,831,000,000). Signing of the formal agreement is subject to conditions set out in the Term Sheet including, amongst others, (i) due diligence on the Project Subsidiary and its related parties being satisfactorily completed by the Investor; (ii) execution of a set of mutually satisfactory set of definitive agreements; (iii) receipt of all necessary approvals from board, shareholders and regulatory bodies; and (iv) other customary closing conditions. The directors expect that the formal agreement with the Investor will likely be concluded in the coming few months.

Should the formal agreement not be entered into or the potential capital injection not be completed, the directors are positive that additional funding would be available from other refinancing arrangements before the maturity of the Bridging Loan.

On the basis that the Group would obtain additional funding to settle the Bridging Loan, the directors are satisfied that the Group will be able to meet its financial obligations, including the Bridging Loan, as and when they fall due for the foreseeable future, and are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the financial statements.

## 2.3 Basis of Preparation and Consolidation

### 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 ("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 classified as property, plant and equipment, certain investments, derivative financial instruments and warrants which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

### Merger accounting for business combination under common control

The financial statements have been prepared in accordance with the principles of merger accounting as set out in Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the HKICPA, as if the Deemed Acquisition had been completed at the beginning of the earliest period presented because the Deemed Acquisition were regarded as a business combination under common control of the substantial shareholder of the Company before and after the Deemed Acquisition.

The consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Company and its subsidiaries (collectively referred to as the "Group") for the years ended 31 December 2013 and 2012 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the dates when the subsidiaries first came under common control of the substantial shareholder, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2012 and 1 January 2012 have been prepared to present the assets and liabilities of the Group using the existing carrying values from the substantial shareholder perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Deemed Acquisition.

Equity interests in subsidiaries and/or business held by parties other than the Company prior to the Deemed Acquisition are presented as non-controlling interests in equity in applying the principles of merger accounting.

## 2.3 Basis of Preparation and Consolidation *(Continued)*

### Merger accounting for business combination under common control *(Continued)*

The effect of the merger accounting restatement described above on the consolidated statement of profit or loss for the year ended 31 December 2012 by line item is as follows:

| | Year ended 31 December 2012 HK$'000 (As previously reported) | Merger accounting restatement HK$'000 | Year ended 31 December 2012 HK$'000 (Restated) |
|---|---|---|---|
| Revenue | 335,048 | 632,499 | 967,547 |
| Cost of sales | (237,937) | (471,771) | (709,708) |
| Gross profit | 97,111 | 160,728 | 257,839 |
| Other income and gains, net | 57,662 | 52,176 | 109,838 |
| Selling and distribution expenses | (4,708) | (52,781) | (57,489) |
| Administrative expenses | (90,092) | (39,863) | (129,955) |
| Other operating expenses, net | (4,521) | (4,403) | (8,924) |
| Share of profit and loss of: | | | |
| Joint ventures | 32,760 | (32,741) | 19 |
| Profit before tax | 88,212 | 83,116 | 171,328 |
| Income tax expense | (25,462) | (27,267) | (52,729) |
| Profit for the year | 62,750 | 55,849 | 118,599 |
| Attributable to: | | | |
| Ordinary equity holders of the Company | 59,405 | 9,773 | 69,178 |
| Non-controlling interests | 3,345 | 46,076 | 49,421 |
| | 62,750 | 55,849 | 118,599 |
| Earnings per share | | | |
| Basic | HK5.31 cents | HK0.87 cents | HK6.18 cents |
| Diluted | HK5.31 cents | HK0.87 cents | HK6.18 cents |

## 2.3 Basis of Preparation and Consolidation *(Continued)*

### Merger accounting for business combination under common control *(Continued)*

The effect of the merger accounting restatement described above on the consolidated statement of comprehensive income for the year ended 31 December 2012 by line item is as follows:

| | Year ended 31 December 2012 HK$'000 (As previously reported) | Merger accounting restatement HK$'000 | Year ended 31 December 2012 HK$'000 (Restated) |
|---|---|---|---|
| Profit for the year | 62,750 | 55,849 | 118,599 |
| Other comprehensive income/(expense) | | | |
| Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods: | | | |
| Available-for-sale investments: | | | |
| Changes in fair value | (1,400) | – | (1,400) |
| Exchange differences on translation of foreign operations | (130) | (33) | (163) |
| Share of other comprehensive income/(expense): | | | |
| Joint ventures | (33) | 33 | – |
| Net other comprehensive expense to be reclassified to profit or loss in subsequent periods | (1,563) | – | (1,563) |
| Other comprehensive expense not to be reclassified to profit or loss in subsequent periods: | | | |
| Deficits on property revaluation | (5,645) | – | (5,645) |
| Deferred tax effect | 1,411 | – | 1,411 |
| Net other comprehensive expense not to be reclassified to profit or loss in subsequent periods | (4,234) | – | (4,234) |
| Other comprehensive expense for the year, net of tax | (5,797) | – | (5,797) |
| Total comprehensive income for the year | 56,953 | 55,849 | 112,802 |
| Attributable to: | | | |
| Ordinary equity holders of the Company | 53,612 | 9,773 | 63,385 |
| Non-controlling interests | 3,341 | 46,076 | 49,417 |
| | 56,953 | 55,849 | 112,802 |

## 2.3 Basis of Preparation and Consolidation *(Continued)*

### Merger accounting for business combination under common control *(Continued)*

The effects of the merger accounting restatement described above on the consolidated statements of financial position as at 1 January 2012 and 31 December 2012 by line item are as follows:

| | 31 December 2012 HK$'000 (As previously reported) | Merger accounting restatement HK$'000 | 31 December 2012 HK$'000 (Restated) | 1 January 2012 HK$'000 (As previously reported) | Merger accounting restatement HK$'000 | 1 January 2012 HK$'000 (Restated) |
|---|---|---|---|---|---|---|
| Non-current assets | | | | | | |
| Property, plant and equipment | 399,391 | 161,115 | 560,506 | 425,400 | 146,074 | 571,474 |
| Prepaid land lease payments | 161,690 | 47 | 161,737 | 169,143 | – | 169,143 |
| Rights to use port facilities | 19,271 | – | 19,271 | 19,984 | – | 19,984 |
| Intangible asset | 5,160 | – | 5,160 | 6,020 | – | 6,020 |
| Interests in joint ventures | 174,181 | (164,996) | 9,185 | 141,454 | (141,454) | – |
| Interest in an associate | – | 8,742 | 8,742 | – | 1,212 | 1,212 |
| Available-for-sale investments | 8,971 | 771 | 9,742 | 10,371 | 882 | 11,253 |
| Prepayments and deposits | 119,154 | 9,158 | 128,312 | 107,378 | 6,061 | 113,439 |
| Total non-current assets | 887,818 | 14,837 | 902,655 | 879,750 | 12,775 | 892,525 |
| Current assets | | | | | | |
| Securities measured at fair value through profit or loss | 70,530 | – | 70,530 | 413,730 | 50,733 | 464,463 |
| Inventories | 3,396 | 17,200 | 20,596 | 4,241 | 11,650 | 15,891 |
| Trade receivables | 43,021 | 22,483 | 65,504 | 39,324 | 20,349 | 59,673 |
| Prepayments, deposits and other receivables | 20,339 | 59,733 | 80,072 | 23,828 | 29,608 | 53,436 |
| Due from a shareholder | – | 7,155 | 7,155 | – | 18,633 | 18,633 |
| Due from related companies | 208 | 495 | 703 | 513 | 4,227 | 4,740 |
| Restricted bank balance | 863 | – | 863 | 1,727 | – | 1,727 |
| Cash and cash equivalents | 656,558 | 126,760 | 783,318 | 249,470 | 208,426 | 457,896 |
| Total current assets | 794,915 | 233,826 | 1,028,741 | 732,833 | 343,626 | 1,076,459 |
| Current liabilities | | | | | | |
| Trade payables | 29,065 | 7,875 | 36,940 | 22,451 | 10,332 | 32,783 |
| Accrued liabilities and other payables | 125,980 | 92,235 | 218,215 | 106,974 | 80,838 | 187,812 |
| Construction payables | 7,622 | 9,874 | 17,496 | 8,588 | – | 8,588 |
| Tax payable | 17,265 | 4,276 | 21,541 | 10,198 | 5,896 | 16,094 |
| Due to joint ventures | 2,039 | (2,039) | – | 354 | (354) | – |
| Due to related companies | 3,475 | – | 3,475 | 3,704 | 1,050 | 4,754 |
| Total current liabilities | 185,446 | 112,221 | 297,667 | 152,269 | 97,762 | 250,031 |

## 2.3 Basis of Preparation and Consolidation *(Continued)*

### Merger accounting for business combination under common control *(Continued)*

The effects of the merger accounting restatement described above on the consolidated statements of financial position as at 1 January 2012 and 31 December 2012 by line item are as follows: *(Continued)*

| | 31 December 2012 HK$'000 (As previously reported) | Merger accounting restatement HK$'000 | 31 December 2012 HK$'000 (Restated) | 1 January 2012 HK$'000 (As previously reported) | Merger accounting restatement HK$'000 | 1 January 2012 HK$'000 (Restated) |
|---|---|---|---|---|---|---|
| Net current assets | 609,469 | 121,605 | 731,074 | 580,564 | 245,864 | 826,428 |
| Total assets less current liabilities | 1,497,287 | 136,442 | 1,633,729 | 1,460,314 | 258,639 | 1,718,953 |
| Non-current liabilities | | | | | | |
| Deferred tax liabilities | 28,399 | – | 28,399 | 23,195 | – | 23,195 |
| Net assets | 1,468,888 | 136,442 | 1,605,330 | 1,437,119 | 258,639 | 1,695,758 |
| Equity | | | | | | |
| Equity attributable to ordinary equity holders of the Company | | | | | | |
| Issued capital | 111,860 | – | 111,860 | 111,860 | – | 111,860 |
| Reserves | 1,336,804 | (23,617) | 1,313,187 | 1,305,564 | 53,853 | 1,359,417 |
| | 1,448,664 | (23,617) | 1,425,047 | 1,417,424 | 53,853 | 1,471,277 |
| Non-controlling interests | 20,224 | 160,059 | 180,283 | 19,695 | 204,786 | 224,481 |
| Total equity | 1,468,888 | 136,442 | 1,605,330 | 1,437,119 | 258,639 | 1,695,758 |

## 2.3 Basis of Preparation and Consolidation *(Continued)*

### Merger accounting for business combination under common control *(Continued)*

The effects of the merger accounting restatement described above to the Group's equity on 1 January 2012 and 31 December 2012 are as follows:

| | 31 December 2012 HK$'000 (As previously reported) | Merger accounting restatement HK$'000 | 31 December 2012 HK$'000 (Restated) | 1 January 2012 HK$'000 (As previously reported) | Merger accounting restatement HK$'000 | 1 January 2012 HK$'000 (Restated) |
|---|---|---|---|---|---|---|
| Issued capital | 111,860 | – | 111,860 | 111,860 | – | 111,860 |
| Share premium account | 459,870 | – | 459,870 | 459,870 | – | 459,870 |
| Contributed surplus | 446,355 | – | 446,355 | 446,355 | – | 446,355 |
| Merger reserve | – | (57,310) | (57,310) | – | 29,933 | 29,933 |
| Goodwill reserve | (200,573) | – | (200,573) | (200,573) | – | (200,573) |
| Asset revaluation reserve | 36,248 | – | 36,248 | 40,482 | – | 40,482 |
| Available-for-sale investment revaluation reserve | 2,400 | – | 2,400 | 3,800 | – | 3,800 |
| Statutory reserve funds | 129,289 | 4,247 | 133,536 | 117,868 | 4,247 | 122,115 |
| Exchange fluctuation reserve | 231,792 | 2,122 | 233,914 | 231,951 | 2,122 | 234,073 |
| Retained profits | 231,423 | 27,324 | 258,747 | 205,811 | 17,551 | 223,362 |
| Non-controlling interests | 20,224 | 160,059 | 180,283 | 19,695 | 204,786 | 224,481 |
| | 1,468,888 | 136,442 | 1,605,330 | 1,437,119 | 258,639 | 1,695,758 |

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies. Apart from the merger accounting applied for the Deemed Acquisition, the results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the ordinary equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

## 2.3 Basis of Preparation and Consolidation *(Continued)*

### Basis of consolidation *(Continued)*

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 profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposal of the related assets or liabilities.

## 2.4 Changes in Accounting Policies 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 Amendments | Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans* |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* |
| HKFRS 10 | *Consolidated Financial Statements* |
| HKFRS 11 | *Joint Arrangements* |
| HKFRS 12 | *Disclosure of Interests in Other Entities* |
| HKFRS 10, HKFRS 11 and HKFRS 12 Amendments | Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance* |
| HKFRS 13 | *Fair Value Measurement* |
| HKAS 1 Amendments | Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* |
| HKAS 19 (2011) | *Employee Benefits* |
| HKAS 27 (2011) | *Separate Financial Statements* |
| HKAS 28 (2011) | *Investments in Associates and Joint Ventures* |
| HKAS 36 Amendments | Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted) |
| HK(IFRIC)-Int 20 | *Stripping Costs in the Production Phase of a Surface Mine* |
| *Annual Improvements 2009–2011 Cycle* | Amendments to a number of HKFRSs issued in June 2012 |

Other than as further explained below regarding the impact of HKFRS 12, HKFRS 13 and HKAS 1 Amendments, the adoption of the 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) HKFRS 12 set out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries, joint ventures and associates are included in notes 19, 20 and 21 to the financial statements.

## 2.4 Changes in Accounting Policies and Disclosures *(Continued)*

(b) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of leasehold buildings under revaluation model and financial instruments are included in notes 13 and 46 to the financial statements.

(c) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

## 2.5 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 9 | *Financial Instruments*[4] |
| HKFRS 9, HKFRS 7 and HKAS 39 Amendments | *Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4] |
| HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments | Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1] |
| HKFRS 14 | *Regulatory Deferral Accounts*[3] |
| HKAS 19 Amendments | Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2] |
| HKAS 32 Amendments | Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1] |
| HKAS 39 Amendments | Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1] |
| HK(IFRIC)-Int 21 | *Levies*[1] |
| *Annual Improvements 2010–2012 Cycle* | Amendments to a number of HKFRSs issued in January 2014[2] |
| *Annual Improvements 2011–2013 Cycle* | Amendments to a number of HKFRSs issued in January 2014[2] |

## 2.5 Issued but not Yet Effective Hong Kong Financial Reporting Standards *(Continued)*

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] Effective for annual periods beginning on or after 1 January 2016
[4] No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

## 2.6 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) income from the sale of golf club membership, on the straight-line basis over the expected life of membership;

(f) interest income, on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset;

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

(h) dividend income, when the shareholder's right to receive payment has been established; and

(i) from the sale of investments, on the transaction dates when the investments are disposed of.

### Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

## 2.6 Summary of Significant Accounting Policies *(Continued)*

### Subsidiaries *(Continued)*

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

### Interests in associates and joint ventures

An associate is an 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's interests in associates and joint ventures are 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.

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

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's interests in associates or joint ventures.

## 2.6 Summary of Significant Accounting Policies *(Continued)*

### Interests in associates and joint ventures *(Continued)*

If an interest in an associate becomes an interest in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's interests in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

### Business combinations under common control

As explained in note 2.3 above, the acquisition of subsidiaries under common control has been accounted for using the merger method of accounting.

Under the merger method of accounting, the net assets of the combining entities or businesses are combined using their existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The consolidated statement of profit or loss includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

### Business combinations not under common control

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 to measure 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-related 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 previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

## 2.6 Summary of Significant Accounting Policies *(Continued)*

### Business combinations not under common control *(Continued)*

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair values with changes in fair values either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the 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 acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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 has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation 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 statement of profit or loss 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.

## 2.6 Summary of Significant Accounting Policies *(Continued)*

### Fair value measurement

The Group measures certain buildings classified as property, plant and equipment, certain investments, derivative financial instruments and warrants at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### 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 of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## 2.6 Summary of Significant Accounting Policies *(Continued)*

### Impairment of non-financial assets *(Continued)*

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an 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 statement of profit or loss 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) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) 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).

## 2.6 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 statement of profit or loss 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 statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss 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 provided to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal bases and estimated useful life are as follows:

| | |
|---|---|
| Medium term leasehold buildings outside Hong Kong | 20 years or over the lease terms, whichever is shorter, on straight-line basis |
| Golf club facilities | 20 years, on straight-line basis |
| Vessels | 10 to 25 years, on reducing balance basis |
| Furniture, fixtures, equipment, motor vehicles, plant and machinery and leasehold improvements | 5 to 10 years, on straight-line basis |

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 including 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 statement of profit or loss in the year the asset is derecognised is the difference between the net sales 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.

## 2.6 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 statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessor to sub-lease the leased assets under operating lease, such rentals receivable under the operating leases are credited to the statement of profit or loss 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 statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

### Properties under development

Properties under development represent properties being developed for sale and are stated at the lower of cost and net realisable value. Cost comprises the prepaid land lease payments, or cost of land together with any other direct costs attributable to the development of the properties and other related expenses capitalised during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

### 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.

## 2.6 Summary of Significant Accounting Policies *(Continued)*

### Investments and other financial assets

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, 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. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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.

**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 positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. 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.

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 as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

**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 other income and gains, net, in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

## 2.6 Summary of Significant Accounting Policies *(Continued)*

### Investments and other financial assets *(Continued)*

**Available-for-sale financial investments**

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as 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 statement of profit or loss 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 statement of profit or loss 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 statement of profit or loss 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.

### 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. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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 whether impairment exists individually 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.

The amount of any impairment loss identified 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).

## 2.6 Summary of Significant Accounting Policies *(Continued)*

### Impairment of financial assets *(Continued)*

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

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

**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 statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

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. "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 statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. 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 statement of profit or loss. 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 statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

## 2.6 Summary of Significant Accounting Policies *(Continued)*

### 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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

### Financial liabilities

**Initial recognition and measurement**
Financial liabilities are classified, at initial recognition, 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.

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

The Group's financial liabilities include trade and other payables, construction payables, an amount due to a shareholder, amounts due to related companies, derivative financial instruments, convertible bonds, warrants, promissory note, loan from a shareholder and interest-bearing bank and other borrowings.

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

**Financial liabilities at fair value through profit or loss**
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

## 2.6 Summary of Significant Accounting Policies *(Continued)*

### Financial liabilities *(Continued)*

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

**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 statement of profit or loss 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 statement of profit or loss.

**Convertible bonds**

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss.

### Warrants

Warrants which meet the definition of a derivative are initially recognised at fair value on the date on which the warrant agreement is entered into and are subsequently measured at fair value. Changes in the fair value of warrants are recognised in the statement of profit or loss as they arise.

### 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 statement of profit or loss.

## 2.6 Summary of Significant Accounting Policies *(Continued)*

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently 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.

### Inventories

Inventories 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.

### 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 statement of profit or loss.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

## 2.6 Summary of Significant Accounting Policies *(Continued)*

### Income tax *(Continued)*

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.

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.

## 2.6 Summary of Significant Accounting Policies *(Continued)*

### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

### 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 statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period.

## 2.6 Summary of Significant Accounting Policies *(Continued)*

### Foreign currencies *(Continued)*

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss. 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 measured. The gain or loss arising on translation of a non-monetary item measured at fair value 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 the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures and associates 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 prevailing at the end of the reporting period and their statements of profit or losses 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 statement of profit or loss.

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

## 3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. 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.

## 3. Significant Accounting Judgements and Estimates *(Continued)*

### Judgements *(Continued)*

**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.

**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 are not expected to be distributed in the foreseeable future, then no withholding taxes should be provided.

**Consolidation of entities in which the Group holds less than a majority of equity interests**

The Group considers that it controls Ferry Company even though it owns less than 50% of the equity interests. As mentioned in note 2.1, upon the completion of the Disposal, Ferry Company is owned as to 49% by the Group, 43% by ZJ Holdings and 8% by the Purchaser and the composition of the board of directors of Ferry Company is revised pursuant to the supplemental joint venture agreement and the supplemental articles of association of Ferry Company entered into among the Group, ZJ Holdings and the Purchaser to the effect that the Group obtains more than half of voting power over Ferry Company and therefore obtains control over the financial and operating policies of Ferry Company.

### 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.

## 3. Significant Accounting Judgements and Estimates *(Continued)*

### Estimation uncertainty *(Continued)*

**Estimation of fair value of leasehold buildings** *(Continued)*
The principal assumptions for the Group's estimation of the fair value include those related to current market rents for properties in the same location and condition, appropriate discount rates, expected future market rents and future costs detailed in note 13.

The carrying amount of the leasehold buildings at 31 December 2013 was HK$373,191,000 (2012: HK$297,960,000) (note 13).

**Estimation of fair values of derivative component of convertible bonds and warrants**
Where fair values of derivative component of convertible bonds and warrants cannot be derived from active markets, they are determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgements include considerations of inputs such as cash flow projections, the discount rate, adjustment factors to the stock price, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair values of derivative component of convertible bonds and warrants. The fair values of the Group's derivative component of convertible bonds and warrants are disclosed in notes 33 and 35 to the financial statements, respectively.

## 4. Operating Segment Information

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

(a) the provision of port facilities and ferry services segment provides port facilities and ferry services in Zhuhai, the PRC, and the trading and distribution of fuel oil ("Maritime Passenger Transportation and Related Services"). The provision of ferry services in Zhuhai, the PRC, and the trading and distribution of fuel oil are included in this segment for the years ended 31 December 2012 and 2013 upon the completion of the Deemed Acquisition as further explained in note 2.3;

(b) the hotel segment consists of the management of a holiday resort hotel in Zhuhai, the PRC (the "Hotel Business");

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

(d) the property development segment consists of the development of properties for sale in Zhuhai, the PRC;

(e) the golf club operations segment consists of the provision of comprehensive facilities to individuals or corporate members of the Group's golf club in Zhuhai, the PRC; and

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

## 4. Operating Segment Information *(Continued)*

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, gain on bargain purchase and finance costs are excluded from such measurement.

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

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, derivative financial instruments, promissory note, warrants, an amount due to a shareholder, convertible bonds, a loan from a shareholder and deferred tax liabilities as these liabilities are managed on a group basis.

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

## 4. Operating Segment Information *(Continued)*

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31 December 2013 and 2012.

| | Maritime Passenger Transportation and Related Services | | Hotel | | Tourist attraction | | Tourism Properties: Property development | | Tourism Properties: Golf club operations | | Corporate and others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 HK$'000 | 2012 HK$'000 (Restated) | 2013 HK$'000 | 2012 HK$'000 (Restated) | 2013 HK$'000 | 2012 HK$'000 | 2013 HK$'000 | 2012 HK$'000 | 2013 HK$'000 | 2012 HK$'000 | 2013 HK$'000 | 2012 HK$'000 | 2013 HK$'000 | 2012 HK$'000 | 2013 HK$'000 | 2012 HK$'000 (Restated) |
| **Segment revenue:** | | | | | | | | | | | | | | | | |
| Sales to external customers | 871,439 | 706,927 | 181,935 | 202,413 | 38,349 | 58,207 | – | – | 16,112 | – | – | – | – | – | 1,107,835 | 967,547 |
| Intersegment sales | 5,572 | 7,608 | – | – | – | – | – | – | – | – | – | – | (5,572) | (7,608) | – | – |
| Total | 877,011 | 714,535 | 181,935 | 202,413 | 38,349 | 58,207 | – | – | 16,112 | – | – | – | (5,572) | (7,608) | 1,107,835 | 967,547 |
| **Segment results** | 207,236 | 150,074 | 19,526 | 22,994 | 16,035 | (633) | (3,919) | – | (18,897) | – | (4,071) | (11,201) | (5,572) | (7,608) | 210,338 | 153,626 |
| Interest income | | | | | | | | | | | | | | | 29,647 | 17,683 |
| Gain on bargain purchase | | | | | | | | | | | | | | | 181,121 | – |
| Finance costs | | | | | | | | | | | | | | | (102,675) | – |
| Share of profits and losses of: | | | | | | | | | | | | | | | | |
| A joint venture | 2,536 | 19 | – | – | – | – | – | – | – | – | – | – | – | – | 2,536 | 19 |
| An associate | (238) | – | – | – | – | – | – | – | – | – | – | – | – | – | (238) | – |
| Profit before tax | | | | | | | | | | | | | | | 320,729 | 171,328 |
| Income tax expense | | | | | | | | | | | | | | | (69,916) | (52,729) |
| Profit for the year | | | | | | | | | | | | | | | 250,813 | 118,599 |

## 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 2013 and 2012. *(Continued)*

| | Maritime Passenger Transportation and Related Services | | Hotel | | Tourist attraction | | Tourism Properties: Property development | | Tourism Properties: Golf club operations | | Corporate and others | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2013 HK$'000** | 2012 HK$'000 (Restated) | **2013 HK$'000** | 2012 HK$'000 (Restated) | **2013 HK$'000** | 2012 HK$'000 (Restated) | **2013 HK$'000** | 2012 HK$'000 | **2013 HK$'000** | 2012 HK$'000 | **2013 HK$'000** | 2012 HK$'000 (Restated) | **2013 HK$'000** | 2012 HK$'000 (Restated) |
| **Assets and liabilities:** | | | | | | | | | | | | | | |
| Segment assets | **649,403** | 567,175 | **503,638** | 504,451 | **460,259** | 503,645 | **6,062,713** | – | **240,104** | – | **304,790** | 330,340 | **8,220,907** | 1,905,611 |
| Interests in a joint venture | **9,736** | 9,185 | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **9,736** | 9,185 |
| Interests in associates | **9,318** | 8,742 | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **9,318** | 8,742 |
| Unallocated assets | | | | | | | | | | | | | **114,896** | 7,858 |
| Total assets | | | | | | | | | | | | | **8,354,857** | 1,931,396 |
| Segment liabilities | **195,768** | 133,930 | **82,271** | 95,733 | **20,906** | 19,852 | **86,185** | – | **146,721** | – | **14,429** | 26,611 | **546,280** | 276,126 |
| Unallocated liabilities | | | | | | | | | | | | | **4,236,332** | 49,940 |
| Total liabilities | | | | | | | | | | | | | **4,782,612** | 326,066 |
| **Other segment information:** | | | | | | | | | | | | | | |
| Depreciation and amortisation | **22,043** | 23,656 | **29,138** | 34,131 | **19,697** | 12,649 | **16** | – | **6,263** | – | **202** | 40 | **77,359** | 70,476 |
| Capital expenditure in respect of property, plant and equipment | **6,107** | 38,366 | **25,563** | 8,228 | **22,586** | 9,439 | **4,407** | – | **2,654** | – | **804** | 90 | **62,121** | 56,123 |
| Loss/(gain) on disposal and write-off of items of property, plant and equipment, net | **58** | (1,768) | **1,211** | 962 | **(368)** | 1,008 | **–** | – | **–** | – | **–** | – | **901** | 202 |
| Deficits on property revaluation | **–** | – | **–** | – | **6,461** | – | **–** | – | **–** | – | **–** | – | **6,461** | – |
| Net fair value gains on securities measured at fair value through profit or loss | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **(5,162)** | (1,492) | **(5,162)** | (1,492) |
| Gains on disposal of securities measured at fair value through profit or loss | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **(3,750)** | (12,580) | **(3,570)** | (12,580) |
| Fair value loss on warrants | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **11,916** | – | **11,916** | – |
| Fair value gain on derivative financial instruments | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **(17,234)** | – | **(17,234)** | – |
| Gain on disposal of an associate | **–** | (6,883) | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **–** | (6,883) |
| Write-back of impairment on deposit for the proposed acquisition of a subsidiary in prior years | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **(30,000)** | – | **(30,000)** | – |
| Compensation from the vendor of the proposed acquisition of a subsidiary in prior years | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **(10,851)** | – | **(10,851)** | – |
| Impairment of an intangible asset | **–** | – | **–** | 860 | **–** | – | **–** | – | **–** | – | **–** | – | **–** | 860 |
| Impairment/(write-back of impairment) of trade receivables | **372** | 34 | **–** | (262) | **5,232** | – | **–** | – | **–** | – | **–** | – | **5,604** | (228) |

## 5. Revenue and Other Income and Gains, Net

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered less sales tax during the year.

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

| | Notes | 2013 HK$'000 | 2012 HK$'000 (Restated) |
|---|---|---|---|
| **Revenue** | | | |
| Maritime passenger transportation and related services | | **871,439** | 706,927 |
| Hotel operation | | **181,935** | 202,413 |
| Tourist attraction operations | | **38,349** | 58,207 |
| Golf club operations | | **16,112** | – |
| | | **1,107,835** | 967,547 |
| **Other income and gains, net** | | | |
| Interest income | | **29,647** | 17,683 |
| Net fair value gains on securities measured at fair value through profit or loss | | **5,162** | 1,492 |
| Gains on disposal of securities measured at fair value through profit or loss | | **3,570** | 12,580 |
| Fair value loss on warrants | *35* | **(11,916)** | – |
| Fair value gain on derivative financial instruments | *33* | **17,234** | – |
| Gain on disposal of an associate | | **–** | 6,883 |
| Dividend income from listed equity investments | | **417** | 7,638 |
| Dividend income from unlisted investment funds | | **–** | 6,484 |
| Government grants* | | **60,772** | 36,488 |
| Gross rental income | | **23,763** | 12,911 |
| Write-back of impairment on deposit for the proposed acquisition of a subsidiary in prior years | *23(a)(ii)* | **30,000** | – |
| Compensation from the vendor of the proposed acquisition of a subsidiary in prior years | *23(a)(ii)* | **10,851** | – |
| Others | | **1,082** | 7,679 |
| | | **170,582** | 109,838 |
| | | **1,278,417** | 1,077,385 |

* There are no unfulfilled conditions or contingencies relating to the government grants.

## 6. Profit Before Tax

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

| | 2013 HK$'000 | 2012 HK$'000 (Restated) |
|---|---|---|
| Cost of inventories sold | **314,865** | 211,204 |
| Cost of services provided* | **456,189** | 498,504 |
| Depreciation | **60,685** | 57,943 |
| Amortisation of Land Prepayments (as defined in note 23(a)) | **3,872** | 4,380 |
| Amortisation of prepaid land lease payments | **12,093** | 7,444 |
| Amortisation of rights to use port facilities | **709** | 709 |
| Minimum lease payments under operating leases in respect of land and buildings | **14,256** | 12,402 |
| Auditors' remuneration | **1,800** | 1,220 |
| Employee benefit expenses (including directors' remuneration – note 8): | | |
| Wages and salaries | **160,049** | 146,629 |
| Pension scheme contributions | **17,871** | 10,173 |
| | **177,920** | 156,802 |
| Loss on disposal and write-off of items of property, plant and equipment, net | **901** | 202 |
| Net fair value gains on securities measured at fair value through profit or loss | **(5,162)** | (1,492) |
| Gains on disposals of securities measured at fair value through profit or loss | **(3,570)** | (12,580) |
| Impairment/(write-back of impairment) of trade receivables | **5,604** | (228) |
| Impairment of an intangible asset | **–** | 860 |
| Deficits on property revaluation | **6,461** | – |
| Foreign exchange differences, net | **298** | (670) |

* Cost of services provided includes an amount of HK$224,579,000 (2012 (Restated): HK$195,821,000) in respect of employee benefit expenses, depreciation of property, plant and equipment, amortisation of Land Prepayments, 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.

## 7. Finance Costs

| | Group 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Interest on a bank loan wholly repayable within five years | **1,726** | – |
| Interest on Bridging Loan | **78,978** | – |
| Interest on loan from a shareholder *(note 44)* | **17,298** | – |
| Interest on promissory note *(note 34)* | **19,903** | – |
| Interest on liability portion of convertible bonds *(note 33)* | **27,468** | – |
| Less: Interest capitalised *(note 16)* | **(42,698)** | – |
| | **102,675** | – |

## 8. 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 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Fees | | |
| – Independent non-executive directors | **600** | 600 |
| – Non-executive directors | **–** | 100 |
| | **600** | 700 |
| Salaries, allowances and benefits in kind | **371** | 301 |
| Performance related bonuses | **602** | 428 |
| Pension scheme contributions | **105** | 92 |
| | **1,078** | 821 |
| | **1,678** | 1,521 |

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

### Directors' remuneration *(Continued)*

#### (a) Independent non-executive directors

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

| | 2013 HK$'000 | 2012 HK$'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 (2012: Nil).

#### (b) Executive directors and non-executive directors

| | 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 |
|---|---|---|---|---|---|
| **2013** | | | | | |
| Executive directors: | | | | | |
| Mr. Chen Yuanhe | – | – | – | – | – |
| Mr. Huang Xin[1] | – | 371 | 602 | 105 | 1,078 |
| Mr. Ye Yuhong | – | – | – | – | – |
| Mr. Li Wenjun | – | – | – | – | – |
| Mr. Jin Tao[2] | – | – | – | – | – |
| Mr. Meng Bin[3] | – | – | – | – | – |
| | – | 371 | 602 | 105 | 1,078 |
| Non-executive director: | | | | | |
| Datuk Lim Hock Guan[4] | – | – | – | – | – |
| | – | 371 | 602 | 105 | 1,078 |

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

### Directors' remuneration *(Continued)*

#### (b) Executive directors and non-executive directors *(Continued)*

| | Fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Performance related bonuses HK$'000 | Pension scheme contributions HK$'000 | Total remuneration HK$'000 |
|---|---|---|---|---|---|
| 2012 | | | | | |
| Executive directors: | | | | | |
| Mr. Chen Yuanhe | – | – | – | – | – |
| Mr. Gu Zengcai[5] | – | – | – | – | – |
| Mr. Huang Xin[1] | – | 301 | 428 | 92 | 821 |
| Mr. Mo Nenglin[6] | – | – | – | – | – |
| Mr. Lan Zhongdang[7] | – | – | – | – | – |
| Mr. Ye Yuhong | – | – | – | – | – |
| Mr. Li Wenjun | – | – | – | – | – |
| Mr. Jin Tao[2] | – | – | – | – | – |
| Mr. Meng Bin[3] | – | – | – | – | – |
| | – | 301 | 428 | 92 | 821 |
| Non-executive directors: | | | | | |
| Mr. Liang Han[8] | 100 | – | – | – | 100 |
| Ms. Zeng Juan[9] | – | – | – | – | – |
| | 100 | – | – | – | 100 |
| | 100 | 301 | 428 | 92 | 921 |

1 Mr. Huang Xin is also the chief executive officer of the Group.
2 Mr. Jin Tao was appointed as an executive director of the Company on 6 January 2012.
3 Mr. Meng Bin was appointed as an executive director of the Company on 6 January 2012 and resigned as an executive director of the Company on 17 December 2013.
4 Datuk Lim Hock Guan was appointed as a non-executive director of the Company on 12 August 2013.
5 Mr. Gu Zengcai resigned as an executive director of the Company on 19 September 2012.
6 Mr. Mo Nenglin resigned as an executive director of the Company on 6 January 2012.
7 Mr. Lan Zhongdang resigned as an executive director of the Company on 6 January 2012.
8 Mr. Liang Han deceased on 7 April 2012.
9 Ms. Zeng Juan was appointed as a non-executive director of the Company on 6 January 2012 and resigned as a non-executive director of the Company on 19 September 2012.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2012: Nil).

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

### Five highest paid employees

The five highest paid employees during the year included one (2012: one) director, details of whose remuneration are set out above. Details of the remuneration for the year of the remaining four (2012: four) highest paid employees who are not directors of the Company are as follows:

| | Group 2013 HK$'000 | Group 2012 HK$'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | **1,634** | 1,526 |
| Pension scheme contributions | **104** | 98 |
| | **1,738** | 1,624 |

During the year ended 31 December 2013, the remuneration of non-director highest paid employees fell within the band of nil to HK$1,000,000 (2012: nil to HK$1,000,000).

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.

## 9. 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 (2012: Nil). The Group's subsidiaries located in Mainland China are subject to the PRC income tax rate of 25% (2012: 25%).

| | Group 2013 HK$'000 | Group 2012 HK$'000 (Restated) |
|---|---|---|
| Group: | | |
| Current | | |
| – Hong Kong | **–** | – |
| – PRC | **66,893** | 46,112 |
| Deferred *(note 36)* | **3,023** | 6,617 |
| Total tax charge for the year | **69,916** | 52,729 |

## 9. Income Tax *(Continued)*

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 | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| Profit before tax | **320,729** | 171,328 |
| Tax at the statutory tax rates | **74,443** | 42,066 |
| Profits and losses attributable to a joint venture and an associate | **(575)** | (5) |
| Income not subject to tax | **(37,804)** | (3,279) |
| Expenses not deductible for tax | **29,500** | 7,709 |
| Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries | **4,500** | 6,617 |
| Tax losses utilised from previous periods | **(148)** | (387) |
| Tax losses not recognised | **–** | 8 |
| Tax charge at the Group's effective tax rate | **69,916** | 52,729 |

The share of tax attributable to a joint venture amounting to approximately HK$896,000 (2012 (Restated): HK$283,000) is included in "Share of profits and losses of a joint venture" on the face of the consolidated statement of profit or loss. There was no profits tax attributable to the associate of the Group as the associate did not generate any assessable profits during the year (2012: 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%.

## 10. Profit Attributable to Ordinary Equity Holders of the Company

The consolidated profit attributable to ordinary equity holders of the Company for the year ended 31 December 2013 includes a loss of approximately HK$6,304,000 (2012: HK$10,090,000) which has been dealt with in the financial statements of the Company (note 38(b)).

## 11. Dividends

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Dividends paid during the year | | |
| Final in respect of the financial year ended 31 December 2012 | | |
| – Nil (year ended 31 December 2011: HK1 cent) per ordinary share | – | 11,186 |
| Special in respect of the financial year ended 31 December 2012 | | |
| – Nil (year ended 31 December 2011: HK1 cent) per ordinary share | – | 11,186 |
| | – | 22,372 |
| Proposed final dividend – HK2 cents (2012: Nil) per ordinary share | 28,283 | – |
| Proposed special dividend – HK1 cent (2012: Nil) per ordinary share | 14,142 | – |
| | 42,425 | – |

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 final and special dividends payable.

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of approximately HK$209,129,000 (2012 (Restated): HK$69,178,000) and the weighted average number of ordinary shares in issue during the year of 1,213,449,521 (2012: 1,118,600,000).

The calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bonds and fair value gain on the derivative component of the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

## 12. Earnings Per Share Attributable to Ordinary Equity Holders of the Company *(Continued)*

The calculation of diluted earnings per share is based on:

| | 2013<br>HK$'000 | 2012<br>HK$'000<br>(Restated) |
|---|---|---|
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation | **209,129** | 69,178 |
| Interest on convertible bonds | **27,468** | – |
| Less: Fair value gain on the derivative component of the convertible bonds | **(17,234)** | – |
| Profit attributable to ordinary equity holders of the Company before interest on convertible bonds | **219,363** | 69,178 |

| | Number of shares<br>2013 | <br>2012 |
|---|---|---|
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | **1,213,449,521** | 1,118,600,000 |
| Effect of dilution – weighted average number of ordinary shares: Convertible bonds | **129,326,047** | – |
| | **1,342,775,568** | 1,118,600,000 |

The warrants of the Company had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share.

## 13. Property, Plant and Equipment

### Group

| | Construction in progress HK$'000 | Medium term leasehold buildings outside Hong Kong HK$'000 | Golf club facilities HK$'000 | Vessels HK$'000 | Furniture, fixtures, equipment motor vehicles, plant and machinery and leasehold improvements HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **31 December 2013** | | | | | | |
| Cost or valuation: | | | | | | |
| At 1 January 2013 (as previously reported) | 14,591 | 297,960 | – | – | 317,821 | 630,372 |
| Merger accounting restatement | 102 | – | – | 270,435 | 38,625 | 309,162 |
| At 1 January 2013 (restated) | 14,693 | 297,960 | – | 270,435 | 356,446 | 939,534 |
| Additions | 34,427 | – | – | – | 27,694 | 62,121 |
| Transfer from Land Prepayments *(note 23(a))* | – | 19,112 | – | – | – | 19,112 |
| Acquisition of subsidiaries *(note 39)* | – | – | 46,066 | – | – | 46,066 |
| Disposals and write-off | (6,439) | (20) | – | – | (11,608) | (18,067) |
| Gains on revaluation, net | – | 43,837 | – | – | – | 43,837 |
| Deficit on revaluation charged to statement of profit or loss | – | (6,461) | – | – | – | (6,461) |
| Transfer in/(out) | (6,637) | 6,637 | – | – | – | – |
| Exchange realignment | 1,129 | 12,126 | 1,444 | 8,468 | 11,531 | 34,698 |
| At 31 December 2013 | 37,173 | 373,191 | 47,510 | 278,903 | 384,063 | 1,120,840 |
| Accumulated depreciation and impairment: | | | | | | |
| At 1 January 2013 (as previously reported) | – | – | – | – | 230,981 | 230,981 |
| Merger accounting restatement | – | – | – | 120,282 | 27,765 | 148,047 |
| At 1 January 2013 (restated) | – | – | – | 120,282 | 258,746 | 379,028 |
| Depreciation provided during the year | – | 17,590 | 864 | 14,193 | 28,038 | 60,685 |
| Disposals and write-off | – | (18) | – | – | (10,556) | (10,574) |
| Gains on revaluation, net | – | (17,744) | – | – | – | (17,744) |
| Exchange realignment | – | 172 | 27 | 4,211 | 8,545 | 12,955 |
| At 31 December 2013 | – | – | 891 | 138,686 | 284,773 | 424,350 |
| Net carrying amount: | | | | | | |
| At 31 December 2013 | 37,173 | 373,191 | 46,619 | 140,217 | 99,290 | 696,490 |
| At 31 December 2012 | 14,693 | 297,960 | – | 150,153 | 97,700 | 560,506 |
| At 31 December 2013 | | | | | | |
| Analysis of cost or valuation: | | | | | | |
| At cost | 37,173 | – | 47,510 | 278,903 | 384,063 | 747,649 |
| At valuation | – | 373,191 | – | – | – | 373,191 |
| | 37,173 | 373,191 | 47,510 | 278,903 | 384,063 | 1,120,840 |

## 13. Property, Plant and Equipment *(Continued)*

### Group *(Continued)*

| | Construction in progress HK$'000 | Medium term leasehold buildings outside Hong Kong HK$'000 | Vessels HK$'000 | Furniture, fixtures, equipment, motor vehicles, plant and machinery and leasehold improvements HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **31 December 2012 (Restated)** | | | | | |
| Cost or valuation: | | | | | |
| At 1 January 2012 (as previously reported) | 13,435 | 319,724 | – | 305,730 | 638,889 |
| Merger accounting restatement | 60,715 | – | 188,656 | 39,933 | 289,304 |
| At 1 January 2012 (restated) | 74,150 | 319,724 | 188,656 | 345,663 | 928,193 |
| Additions | 13,399 | – | 33,572 | 9,152 | 56,123 |
| Disposals and write-off | (1,908) | – | (12,571) | (8,420) | (22,899) |
| Deficits on revaluation | – | (21,709) | – | – | (21,709) |
| Transfer in/(out) | (70,945) | – | 60,828 | 10,117 | – |
| Exchange realignment | (3) | (55) | (50) | (66) | (174) |
| At 31 December 2012 | 14,693 | 297,960 | 270,435 | 356,446 | 939,534 |
| Accumulated depreciation and impairment: | | | | | |
| At 1 January 2012 (as previously reported) | – | – | – | 213,489 | 213,489 |
| Merger accounting restatement | – | – | 117,432 | 25,798 | 143,230 |
| At 1 January 2012 (restated) | – | – | 117,432 | 239,287 | 356,719 |
| Depreciation provided during the year | – | 16,064 | 15,414 | 26,465 | 57,943 |
| Disposals and write-off | – | – | (12,542) | (6,959) | (19,501) |
| Deficits on revaluation | – | (16,064) | – | – | (16,064) |
| Exchange realignment | – | – | (22) | (47) | (69) |
| At 31 December 2012 | – | – | 120,282 | 258,746 | 379,028 |
| Net carrying amount: | | | | | |
| At 31 December 2012 | 14,693 | 297,960 | 150,153 | 97,700 | 560,506 |
| At 31 December 2011 | 74,150 | 319,724 | 71,224 | 106,376 | 571,474 |
| At 31 December 2012 Analysis of cost or valuation: | | | | | |
| At cost | 14,693 | – | 270,435 | 356,446 | 641,574 |
| At valuation | – | 297,960 | – | – | 297,960 |
| | 14,693 | 297,960 | 270,435 | 356,446 | 939,534 |

## 13. Property, Plant and Equipment *(Continued)*

### Company

| | Furniture, fixtures, equipment, motor vehicles and leasehold improvements HK$'000 |
|---|---|
| **31 December 2013** | |
| Cost: | |
| At 1 January 2013 | **2,729** |
| Additions | **777** |
| Disposals | **(426)** |
| At 31 December 2013 | **3,080** |
| Accumulated depreciation: | |
| At 1 January 2013 | **2,659** |
| Depreciation provided during the year | **180** |
| Disposals | **(426)** |
| At 31 December 2013 | **2,413** |
| Net carrying amount: | |
| At 31 December 2013 | **667** |
| **31 December 2012** | |
| Cost: | |
| At 1 January 2012 | 2,685 |
| Additions | 44 |
| At 31 December 2012 | 2,729 |
| Accumulated depreciation: | |
| At 1 January 2012 | 2,634 |
| Depreciation provided during the year | 25 |
| At 31 December 2012 | 2,659 |
| Net carrying amount: | |
| At 31 December 2012 | 70 |
| At 31 December 2011 | 51 |

## 13. Property, Plant and Equipment *(Continued)*

Each year, the Group decides to appoint which external valuer to be responsible for the external valuations of the Group's leasehold buildings based on selection criteria including market knowledge, reputation, independence and whether professional standards are maintained. The management of the Group has discussions with the valuer on the valuation assumptions and valuation results annually when the valuation is performed for financial reporting.

Leasehold buildings of the Group were revalued on 31 December 2013 based on valuations performed by Knight Frank Petty Limited ("Knight Frank") (2012: Castores Magi (Hong Kong) Limited ("Castores")), at HK$373,191,000 (2012: HK$297,960,000).

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$192,216,000 (2012: HK$182,359,000).

### Fair value hierarchy

As at 31 December 2013, the fair value measurement of these land and buildings is categorised in Level 3 of the fair value hierarchy (i.e., fair value measurement using significant unobservable inputs).

During the year, there were no transfers into or out of Level 3.

Reconciliation of fair value measurement categorised within Level 3 of the fair value hierarchy:

| | Leasehold buildings located in the Group's theme park and amusement park HK$'000 | Leasehold buildings not located in the Group's theme park and amusement park HK$'000 | Total leasehold buildings HK$'000 |
|---|---|---|---|
| Carrying amount at 1 January 2013 | 184,390 | 113,570 | 297,960 |
| Transfer from Land Prepayments *(note 23(a))* | – | 19,112 | 19,112 |
| Transfer from construction in progress | 1,547 | 5,090 | 6,637 |
| Depreciation provided | (11,855) | (5,735) | (17,590) |
| Gains on property revaluation, net recognised in other comprehensive income | 2,293 | 59,288 | 61,581 |
| Deficit on property revaluation charged to statement of profit or loss | (6,461) | – | (6,461) |
| Disposals and write-off | – | (2) | (2) |
| Exchange realignment | 3,063 | 8,891 | 11,954 |
| Carrying amount at 31 December 2013 | 172,977 | 200,214 | 373,191 |

Below is a summary of the valuation techniques used and the key inputs to the valuation of leasehold buildings:

| | Valuation techniques | Significant unobservable inputs | Range |
|---|---|---|---|
| Leasehold buildings located in the Group's theme park and amusement park | Depreciated replacement cost method | Estimated construction cost by use | RMB800 to RMB6,000 per square metre |
| | | Estimated useful life | 10-50 years |
| Leasehold buildings not located in the Group's theme park and amusement park | Discounted cash flow method | Estimated rental value | RMB12 to RMB19 per square metre and per month and RMB470 per night |
| | | Discount rate | 2.5%–6.5% |

## 13. Property, Plant and Equipment *(Continued)*

### Fair value hierarchy *(Continued)*

Under the depreciated replacement cost method, fair value is estimated using an estimate of the new replacement cost of the buildings and structures from which deductions are then made to allow for the age, condition and functional obsolescence.

A significant increase/(decrease) in the estimated replacement cost would result in a significant increase/(decrease) in the fair value of the properties.

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income is then discounted.

A significant increase/(decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase/(decrease) in the fair value of the properties. A significant increase/(decrease) in the discount rate in isolation would result in a significant decrease/(increase) in the fair value of the properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the discount rate.

## 14. Prepaid Land Lease Payments

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| Carrying amount at beginning of year | **169,181** | 176,635 |
| Additions | **–** | 47 |
| Acquisition of subsidiaries *(note 39)* | **176,358** | – |
| Transfer from Land Prepayments *(note 23(a))* | **87,394** | – |
| Amortisation recognised during the year | **(12,093)** | (7,444) |
| Exchange realignment | **14,534** | (57) |
| Carrying amount at end of year | **435,374** | 169,181 |
| Current portion included in prepayments, deposits and other receivables | **(15,593)** | (7,444) |
| Non-current portion | **419,781** | 161,737 |

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

## 15. Rights to Use Port Facilities

| | Group HK$'000 |
|---|---|
| **31 December 2013** | |
| At 1 January 2013: | |
| Cost | **28,641** |
| Accumulated amortisation | **(9,370)** |
| Net carrying amount | **19,271** |
| At 1 January 2013, net of accumulated amortisation | **19,271** |
| Amortisation recognised during the year | **(709)** |
| Exchange realignment | **581** |
| At 31 December 2013, net of accumulated amortisation | **19,143** |
| At 31 December 2013: | |
| Cost | **29,538** |
| Accumulated amortisation | **(10,395)** |
| Net carrying amount | **19,143** |
| **31 December 2012** | |
| At 1 January 2012: | |
| Cost | 28,646 |
| Accumulated amortisation | (8,662) |
| Net carrying amount | 19,984 |
| At 1 January 2012, net of accumulated amortisation | 19,984 |
| Amortisation recognised during the year | (709) |
| Exchange realignment | (4) |
| At 31 December 2012, net of accumulated amortisation | 19,271 |
| At 31 December 2012: | |
| Cost | 28,641 |
| Accumulated amortisation | (9,370) |
| Net carrying amount | 19,271 |

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 44(b)).

## 16. Properties Under Development

| | Group 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Balance at beginning of year | – | – |
| Acquisition of a subsidiary *(note 39)* | 3,353,655 | – |
| Additions | 2,330,174 | – |
| Interest capitalised *(note 7)* | 42,698 | – |
| Exchange realignment | 179,525 | – |
| Balance at end of year | 5,906,052 | – |
| Amount classified as current assets | (404,000) | – |
| Non-current portion | 5,502,052 | – |

As at 31 December 2013, certain land use rights with aggregate carrying amount of HK$4,621,318,000 (2012: Nil) included in properties under development were pledged to secure the Bridging Loan (note 32).

The properties under development are situated on leasehold land in Mainland China held under long term lease.

## 17. Intangible Asset

| | Group HK$'000 |
|---|---|
| **31 December 2013** | |
| At 1 January 2013: | |
| Cost | 28,371 |
| Accumulated impairment | (23,211) |
| Net carrying amount | 5,160 |
| At 1 January 2013, net of accumulated impairment | 5,160 |
| Exchange realignment | 162 |
| At 31 December 2013 | 5,322 |
| At 31 December 2013: | |
| Cost | 29,260 |
| Accumulated impairment | (23,938) |
| Net carrying amount | 5,322 |

## 17. Intangible Asset *(Continued)*

| | Group HK$'000 |
|---|---|
| **31 December 2012** | |
| At 1 January 2012: | |
| Cost | 28,377 |
| Accumulated impairment | (22,357) |
| Net carrying amount | 6,020 |
| At 1 January 2012, net of accumulated impairment | 6,020 |
| Impairment recognised during the year | (860) |
| Exchange realignment | – |
| At 31 December 2012 | 5,160 |
| At 31 December 2012: | |
| Cost | 28,371 |
| Accumulated impairment | (23,211) |
| Net carrying amount | 5,160 |

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 2013 and 2012 was determined by the Group with reference to the open market basis assessed by Knight Frank (2012: Castores) and approximated to its carrying value.

## 18. Goodwill

As detailed in note 2.6 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 2013 and 2012, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001, was approximately HK$200,573,000.

## 19. Investments in Subsidiaries

| | Company 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Unlisted shares, at cost | **892,808** | 892,808 |
| Due from subsidiaries | **1,946,180** | 283,690 |
| | **2,838,988** | 1,176,498 |
| Due from subsidiaries classified as current assets | **(368,302)** | – |
| Non-current portion | **2,470,686** | 1,176,498 |

The amounts due from subsidiaries included in the investments in subsidiaries above are unsecured and interest-free. Except for amounts due from subsidiaries of HK$368,302,000 (2012: Nil) which are repayable on demand or within one year from the end of the reporting period, amounts due from subsidiaries have no fixed terms of repayment and in the opinion of the directors, are considered as quasi-equity loans to the subsidiaries, and hence are classified as non-current assets.

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 Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| Jiuzhou Tourist Development Company Limited | British Virgin Islands/ Hong Kong | US$15,600 | 100 | – | Investment and property holding |
| Zhuhai Holiday Resort Hotel Co., Ltd. *(note a)* | PRC/Mainland China | HK$184,880,000 | – | 100 | Management of a holiday resort |
| The New Yuanming Palace Tourist Co., Ltd. of Zhuhai S.E.Z. *(note a)* | PRC/Mainland China | RMB60,000,000 | – | 100 | Management of a theme park |
| 珠海市水上娛樂有限公司 *(note a)* | PRC/Mainland China | RMB22,500,000 | – | 100 | Management of an amusement park |
| Jiuzhou Port Company *(note b)* | PRC/Mainland China | RMB42,330,000 | – | 90 | Provision of port facilities |
| Ferry Company *(note c)* | PRC/Mainland China | RMB65,374,000 | – | 49 *(note d)* | Provision of ferry services |

## 19. Investments in Subsidiaries *(Continued)*

Particulars of the principal subsidiaries are as follows: *(Continued)*

| Name | Place of incorporation/ registration and operations | Nominal value of issued and paid-up share/ registered capital | Percentage of equity attributable to the Company Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| 珠海經濟特區海通船務有限公司 *(notes e, f)* | PRC/Mainland China | RMB15,000,000 | – | 49 *(note g)* | Provision of ferry services and investment holding |
| 珠海市九洲郵輪有限公司 *(notes e, f)* | PRC/Mainland China | RMB20,000,000 | – | 49 *(note g)* | Provision of ferry services |
| Zhuhai Jiuzhou Marine Bunker Supply Co., Ltd *(notes e, f)* | PRC/Mainland China | RMB20,222,100 | – | 49 *(note g)* | Trading and distribution of fuel oil |
| Zhuhai Jiuzhou Port Petrol Filling Station Company Limited *(notes e, f)* | PRC/Mainland China | RMB5,000,000 | – | 49 *(note g)* | Trading and distribution of fuel oil |
| Lamdeal Development *(note i)* | Hong Kong | HK$10 | – | 100 | Investment holding |
| Zhuhai Development *(notes c, i)* | PRC/Mainland China | US$24,080,000 | – | 60 | Property development |
| Zhuhai International Circuit Consolidated Development (HK) Limited *(note i)* | Hong Kong | HK$10 | – | 60 | Inactive |
| Lamdeal Golf *(note i)* | Hong Kong | HK$2 | – | 100 | Investment holding |
| 珠海國際賽車場高爾夫俱樂部有限公司 ("Zhuhai Golf") *(notes c, i)* | PRC/Mainland China | US$8,800,000 | – | 60 | Operation of a golf club |
| Lakewood Golf & Country Club (HK) Limited *(note i)* | Hong Kong | HK$100,000 | – | 60 | Provision of handling services |
| 珠海翠湖高爾夫訓練中心 *(notes h, i)* | PRC/Mainland China | RMB30,000 | – | 60 | Provision of golf training |

## 19. Investments in Subsidiaries *(Continued)*

*Notes:*

(a) Registered as wholly-foreign-owned enterprises under PRC law

(b) Registered as a contractual joint venture under PRC law

(c) Registered as a Sino-foreign equity joint venture under PRC Law

(d) Ferry Company is accounted for as a subsidiary of the Group even though the Group has only a 49% equity interest in this company based on the factors explained in note 3 to the financial statements.

(e) The equity interests in the Entities were acquired by Ferry Company during the year ended 31 December 2012. Prior to the acquisition of the Entities, ZJ Holdings owned 100% equity interest in the Entities. Details of which are set out in the Company's announcement dated 25 September 2012.

(f) Registered as limited liability companies under PRC law

(g) These entities are subsidiaries of Ferry Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over them.

(h) Registered as a private non-enterprise entity under PRC law

(i) The equity interests in these entities were acquired by the Group during the year. Further details of this acquisition are included in note 39 to the financial statements.

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.

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

| | 2013 | 2012 |
|---|---|---|
| Percentage of equity interest held by non-controlling interests: | | |
| Ferry Company | **51%** | 51% |
| Zhuhai Development | **40%** | – |

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Profit/(loss) for the year allocated to non-controlling interests: | | |
| Ferry Company and its subsidiaries | **66,962** | 46,076 |
| Zhuhai Development and its subsidiary | **(25,919)** | – |
| Dividends paid to non-controlling interests of Ferry Company | **75,593** | – |
| Accumulated balances of non-controlling interests at the reporting dates: | | |
| Ferry Company and its subsidiaries | **160,294** | 160,059 |
| Zhuhai Development and its subsidiary | **1,107,004** | – |

## 19. Investments in Subsidiaries *(Continued)*

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

### 2013

| | Ferry Company and its subsidiaries HK$'000 | Zhuhai Development and its subsidiary HK$'000 |
|---|---|---|
| Revenue | 845,153 | – |
| Other income | 32,359 | 167 |
| Total expenses | (746,214) | (64,965) |
| Profit/(loss) for the year | 131,298 | (64,798) |
| Total comprehensive income for the year | 148,683 | 30,212 |
| Current assets | 414,854 | 617,524 |
| Non-current assets | 177,714 | 5,540,936 |
| Current liabilities | (278,266) | (1,794,821) |
| Non-current liabilities | – | (1,596,129) |
| Net cash flows from/(used in) operating activities | 228,148 | (2,268,275) |
| Net cash flows from/(used in) investing activities | 658 | (4,240) |
| Net cash flows from/(used in) financing activities | (75,600) | 2,378,331 |
| Net increase in cash and cash equivalents | 153,206 | 105,816 |

### 2012

| | Ferry Company and its subsidiaries HK$'000 |
|---|---|
| Revenue | 686,084 |
| Other income | 52,176 |
| Total expenses | (647,915) |
| Profit for the year | 90,345 |
| Total comprehensive income for the year | 90,345 |
| Current assets | 235,865 |
| Non-current assets | 189,018 |
| Current liabilities | (111,042) |
| Net cash flows from operating activities | 136,856 |
| Net cash flows used in investing activities | (218,679) |
| Net decrease in cash and cash equivalents | (81,823) |

## 20. Interests in a Joint Venture

| | Group 2013 HK$'000 | Group 2012 HK$'000 (Restated) |
|---|---|---|
| Share of net assets of an unlisted joint venture | **3,443** | 2,892 |
| Goodwill on acquisition | **6,293** | 6,293 |
| | **9,736** | 9,185 |

Particulars of the Group's joint venture indirectly held by the Company as at 31 December 2013 are as follows:

| Name | Paid-up capital | Place of registration and operation | Percentage of Ownership interest | Percentage of Voting power | Percentage of Profit sharing | Principal activity |
|---|---|---|---|---|---|---|
| 珠海市珠澳輪渡有限公司 *(note a)* | RMB534,000 | PRC/Mainland China | 49 | 49 | 49 | Provision of ferry services |

*Note:*

(a) Registered as a limited liability company under PRC law

The statutory financial statements of the joint venture were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The following table illustrates the financial information of the Group's joint venture that is not individually material:

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Share of the joint venture's profit and total comprehensive income for the year | **2,536** | 19 |
| Carrying amount of the Group's interest in the joint venture | **9,736** | 9,185 |

During the year, the Group received dividend income amounting to HK$2,356,000 (2012: Nil) from the joint venture.

## 21. Interests in Associates

| | Group 2013 HK$'000 | 2012 HK$'000 (Restated) |
|---|---|---|
| Share of net assets of unlisted associates | **153** | 386 |
| Due from an associate | **9,165** | 8,356 |
| | **9,318** | 8,742 |

The amount due from an associate is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors, the balance is considered as quasi-equity investment in the associate.

Particulars of the associates are as follows:

| Name | Particulars of issued share capital | Place of incorporation and operations | Percentage of ownership interest attributable to the Group | Principal activities |
|---|---|---|---|---|
| Allways Internet Limited | HK$3,000,000 | Hong Kong | 50 | Investment holding |
| 深圳市機場高速客運有限公司 *(note a)* | RMB20,000,000 | PRC/Mainland China | 40 | Provision of ticketing services |

*Note:*

(a) Registered as a limited liability company under PRC law

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

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Share of the associates' loss and total comprehensive expense for the year | **(238)** | – |
| Aggregate carrying amount of the Group's interests in the associates | **9,318** | 8,742 |

## 22. Available-for-Sale Investments

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 (Restated) | **HK$'000** | HK$'000 |
| Hong Kong listed equity investments, at fair value | **9,600** | 8,200 | **9,600** | 8,200 |
| Unlisted equity investment, at cost | **1,590** | 1,542 | **–** | – |
| | **11,190** | 9,742 | **9,600** | 8,200 |

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 an increase in the market value of the Hong Kong listed equity investments and the increase of HK$1,400,000 (2012: decrease of HK$1,400,000) was included in other comprehensive income during the year ended 31 December 2013.

## 23. Prepayments, Deposits and Other Receivables

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

| | *Notes* | **2013 HK$'000** | 2012 HK$'000 (Restated) |
|---|---|---|---|
| **Group** | | | |
| Rental prepayments | | **5,068** | 4,975 |
| Prepayments for the proposed acquisition of certain parcels of land (the "Land Prepayments") | (i) | **–** | 115,351 |
| Deposit for the proposed acquisition of a subsidiary in prior years | (ii) | **–** | – |
| Other prepayments and deposits | | **19,428** | 7,986 |
| | | **24,496** | 128,312 |
| **Company** | | | |
| Deposit for the proposed acquisition of a subsidiary in prior years | (ii) | **–** | – |

## 23. Prepayments, Deposits and Other Receivables *(Continued)*

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

*Notes:*

(i)

| | Group 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Carrying amount at beginning of year | **119,731** | 103,239 |
| Additions | **–** | 20,877 |
| Write-back | **(9,353)** | – |
| Transfer to prepaid land lease payments *(note 14)* | **(87,394)** | – |
| Transfer to property, plant and equipment *(note 13)* | **(19,112)** | – |
| Amortisation recognised during the year | **(3,872)** | (4,380) |
| Exchange realignment | **–** | (5) |
| Carrying amount at end of year | **–** | 119,731 |
| Current portion included in prepayments, deposits and other receivables | **–** | (4,380) |
| Non-current portion | **–** | 115,351 |

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

During the years ended 31 December 2008 and 2009, announcements dated 18 March 2008, 16 October 2008 and 7 April 2009 were made by the Company that the Group had entered into various extension agreements with Zhuhai Guoyuan to extend the longstop dates from 16 April 2008 to 16 October 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 (approximately HK$14.8 million) has been paid to Zhuhai Guoyuan and the entire consideration for the Hotel Land has been fully settled.

During the year ended 31 December 2012, in order to rationalise and facilitate the process for obtaining the land use right certificate of the Hotel Land in the PRC, pursuant to the Land Agreement, Zhuhai Guoyuan has assigned Zhuhai Holiday Resort Co., Ltd. (the "Resort Company"), a subsidiary of Zhu Kuan Macau and the original owner of the land use right of the Hotel Land, to transfer the land use right certificate to the Group.

During the year ended 31 December 2012, the Group has capitalised direct legal and professional fee and taxes of approximately HK$20.9 million of which approximately HK$8.0 million was paid. Overprovision of HK$9 million was reversed during the year. Since the Group was using the Hotel Land and only administrative procedures were required to be completed for the acquisition of land use right, the Land Prepayment was amortised on the straight-line basis over the lease terms of the land use right during the years ended 31 December 2012 and 2013.

During the year, the Group has obtained the land use right certificate of the Hotel Land and the building certificates of the building structures erected on the Hotel Land. Accordingly, the deposit and prepayment for the acquisition of the Hotel Land of HK$87 million and HK$19 million were transferred to prepaid land lease payments and property, plant and equipment, respectively.

## 23. Prepayments, Deposits and Other Receivables *(Continued)*

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

*Notes: (Continued)*

(ii)

| | Group and Company<br>**2013**<br>**HK$'000** | <br>2012<br>HK$'000 |
|---|---|---|
| Deposit for the proposed acquisition of a subsidiary in prior years | **30,000** | 30,000 |
| Less: impairment | **–** | (30,000) |
| Carrying amount at end of year | **30,000** | – |
| Current portion included in prepayments, deposits and other receivables | **(30,000)** | – |
| Non-current portion | **–** | – |

The movement in provision for impairment of deposit for the proposed acquisition of a subsidiary is as follows:

| | Group and Company<br>**2013**<br>**HK$'000** | <br>2012<br>HK$'000 |
|---|---|---|
| At beginning of year | **30,000** | 30,000 |
| Write-back of impairment *(note 5)* | **(30,000)** | – |
| At 31 December | **–** | 30,000 |

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, a gun club, a hunting area, a hotel and a 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 was eventually unsuccessful.

After carrying out due diligence procedures on the Target Company, the Company decided not to proceed with the Proposed Acquisition and the Letter of Intent was terminated accordingly. In addition, the Company demanded for refund of the Earnest Money, which was refused by the 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.

Trial of the case was conducted in the High Court in May 2012. Judgment ("CFI Judgment") was delivered on 7 June 2012. Judgment was awarded in favour of the Company and the Intended Vendor was ordered to refund the Earnest Money to the Company. Details are set out in the Company's announcement dated 21 June 2012. In June 2012, the Intended Vendor applied to appeal the CFI Judgment.

## 23. Prepayments, Deposits and Other Receivables *(Continued)*

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

*Notes: (Continued)*

(ii) *(Continued)*

The appeal was heard before the Court of Appeal on 10 September 2013 and judgment ("CA Judgment") was handed down on 27 September 2013. Save for an order in the CFI Judgment be substituted with an order that the Company would be paid HK$30 million (instead of the Hong Kong dollars equivalent of RMB26 million) with interest at the best lending rate of the Hong Kong bank from 27 May 2009 to 7 June 2012, the appeal was dismissed with costs in the Company's favour and the CFI Judgment was upheld.

No further appeal against the CA Judgment had been filed by the Intended Vendor. In January 2014, a total sum of approximately HK$40.8 million has been received by the Company in partial satisfaction of the CA Judgment, which includes (1) full payment of the Earnest Money with interest thereon; and (2) partial payment of agreed costs and interest thereon payable by the Intended Vendor to the Company. Accordingly, the impairment of the Earnest Money of HK$30,000,000 was written back and the compensation of HK$10,851,000 was recognised in profit or loss for the year ended 31 December 2013 (note 5).

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

| | **2013 HK$'000** | 2012 HK$'000 (Restated) |
|---|---|---|
| **Group** | | |
| Prepayments | **89,286** | 50,285 |
| Deposits and other receivables | **31,806** | 29,787 |
| Deposit for the proposed acquisition of a subsidiary in prior years *(note (a)(ii))* | **30,000** | – |
| | **151,092** | 80,072 |
| **Company** | | |
| Deposits and other receivables | **11,718** | 983 |
| Deposit for the proposed acquisition of a subsidiary in prior years *(note (a)(ii))* | **30,000** | – |
| | **41,718** | 983 |

None of the above assets is either past due or impaired. Except for deposit for the proposed acquisition of a subsidiary in prior years, the financial assets included in the above balances relate to deposits and other receivables for which there was no recent history of default.

## 24. Securities Measured at Fair Value Through Profit or Loss

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Listed equity investments in Hong Kong, at fair value | **1,138** | 983 | **1,138** | 983 |
| Unlisted investment funds in the PRC, at fair value | **–** | 69,547 | **–** | – |
| | **1,138** | 70,530 | **1,138** | 983 |

The above investments at 31 December 2013 and 2012 were classified as held for trading upon initial recognition.

## 25. Inventories

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| Food, beverages and souvenirs held for resale | **3,053** | 3,396 |
| Spare parts and consumables | **13,062** | 17,200 |
| | **16,115** | 20,596 |

## 26. Trade Receivables

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| Trade receivables | **67,213** | 68,916 |
| Impairment | **(9,139)** | (3,412) |
| | **58,074** | 65,504 |

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.

## 26. Trade Receivables *(Continued)*

As at 31 December 2013, the Group had a receivable from the Zhuhai Municipal Government arising from the use of the Group's hotel facilities amounting to approximately HK$16,447,000 (2012: HK$23,425,000) which accounted for approximately 28% (2012 (Restated): 36%) 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 | |
|---|---|---|
| | **2013**<br>**HK$'000** | 2012<br>HK$'000<br>(Restated) |
| Current to 3 months | **53,132** | 42,590 |
| 4 to 6 months | **1,107** | 7,065 |
| 7 to 12 months | **3,835** | 15,849 |
| | **58,074** | 65,504 |

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

| | Group | |
|---|---|---|
| | **2013**<br>**HK$'000** | 2012<br>HK$'000<br>(Restated) |
| At beginning of year | **3,412** | 3,641 |
| Impairment losses recognised/(write-back of impairment) *(note 6)* | **5,604** | (228) |
| Amount written off as uncollectible | **(65)** | – |
| Exchange realignment | **188** | (1) |
| | **9,139** | 3,412 |

Included in the above impairment allowance for trade receivables is an allowance for individually impaired trade receivables of approximately HK$9,139,000 (2012: HK$3,412,000) with a gross carrying amount before provision of approximately HK$10,512,000 (2012: HK$3,441,000). 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.

## 26. Trade Receivables *(Continued)*

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

| | Group | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| Neither past due nor impaired | **55,731** | 61,171 |
| Less than 1 year past due | **970** | 4,304 |
| | **56,701** | 65,475 |

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.

## 27. Balances with Related Companies and a Shareholder

In addition to those disclosed elsewhere, particulars of the amounts due from/(to) related companies and a shareholder and a loan from a shareholder are as follows:

### Group

| | At 31 December 2013 HK$'000 | Maximum amount outstanding during the year HK$'000 | At 31 December 2012 HK$'000 (Restated) |
|---|---|---|---|
| Amounts due from related companies: | | | |
| 珠海賽車場有限公司 ("Zhuhai Circuit")# | **113,620** | 215,051 | – |
| 珠澳旅遊集散中心* | **–** | 32 | 32 |
| 珠海市濠江旅遊社有限公司* | **–** | 495 | 495 |
| 珠海市九洲旅遊運輸有限公司* | **749** | 749 | – |
| 珠海九洲旅遊開發有限公司* | **255** | 255 | – |
| 珠海度假村酒店管理有限公司* | **272** | 272 | 79 |
| Zhuhai Jiuzhou Port Passenger Transport Station Co., Ltd. ("Jiuzhou Transport Company")* | **–** | 97 | 97 |
| Macau-Mondial Travel & Tours Ltd. ("Macau-Mondial")** | **5,398** | 5,398 | 5,398 |
| Zhuhai Special Economic Zone Hotel ("Zhuhai SEZ Hotel")** | **458** | 458 | 458 |
| | **120,752** | | 6,559 |
| Impairment | **(5,856)** | | (5,856) |
| | **114,896** | | 703 |
| Amounts due from/(to) a shareholder: | | | |
| ZJ Holdings* | **(16,637)** | 7,155 | 7,155 |
| Loan from a shareholder: | | | |
| ZJ Holdings* | **(373,468)** | | – |

# Pursuant to a settlement agreement entered into among the Vendor, Zhuhai Golf, Long Yi Enterprise Company Limited ("Long Yi", a company established in the PRC and the non-controlling equity holder of Zhuhai Development and Zhuhai Golf), Lamdeal Investments Limited ("Lamdeal Investments", the immediate holding company of Zhuhai Circuit), Zhuhai Circuit (owned as to 40% by Long Yi and 60% by Lamdeal Investments), Zhuhai Development and ZJ Holdings on 10 April 2013, Zhuhai Circuit agreed to settle the amounts due to Zhuhai Development and Zhuhai Golf of RMB145,358,000 and RMB29,016,000, respectively, (the "Zhuhai Circuit Advance") upon the completion of the Acquisition. The equity holders of Zhuhai Circuit, i.e., Lamdeal Investments and Long Yi, agreed to provide funding to Zhuhai Circuit amounting to RMB104,624,000 and RMB69,750,000, respectively, for settlement of the Zhuhai Circuit Advance. Besides, the Vendor also agreed to use part of the consideration of the Acquisition to lend to Lamdeal Investments for further advancement to Zhuhai Circuit for such settlement. During the year, amount due from Zhuhai Circuit of RMB85,043,000 was settled. Subsequent to the end of the reporting period and up to the date of this report, RMB30,316,000 (equivalent to approximately HK$38,559,000) was settled and the remaining balance will be settled in 2014.

* The amounts represented the funds advanced to/(from) the related companies and a shareholder of the Company.

** 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.

Except for a loan from a shareholder of HK$356,170,000 (2012: Nil) and HK$17,298,000 (2012: Nil) which bears interests at 13% per annum and is interest-free, respectively, and are repayable in 2015, the balances with related companies and a shareholder are unsecured, interest-free and repayable on demand.

## 28. Restricted Bank Balance and Cash and Cash Equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 (Restated) | **HK$'000** | HK$'000 |
| Cash and bank balances including restricted bank balance | **803,438** | 653,272 | **27,383** | 26,891 |
| Less: Restricted bank balance *(note (a))* | **(890)** | (863) | **–** | – |
| | **802,548** | 652,409 | **27,383** | 26,891 |
| Time deposits with original maturity of less than three months | **100,085** | 122,924 | **100,085** | – |
| Time deposits with original maturity of over three months | **8,491** | 7,985 | **–** | – |
| | **911,124** | 783,318 | **127,468** | 26,891 |

*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$860,398,000 (2012 (Restated): HK$750,476,000). 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.

## 29. 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 | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| Current to 3 months | **39,541** | 32,357 |
| 4 to 6 months | **–** | 706 |
| 7 to 12 months | **–** | 274 |
| Over 12 months | **–** | 3,603 |
| | **39,541** | 36,940 |

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

## 30. Deferred Income, Accrued Liabilities and Other Payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| | | (Restated) | | |
| Accrued liabilities and other payables | **361,191** | 218,215 | **9,370** | 8,510 |
| Deferred income | **132,650** | – | **–** | – |
| | **493,841** | 218,215 | **9,370** | 8,510 |
| Current portion | **(365,663)** | (218,215) | **(9,370)** | (8,510) |
| Non-current portion | **128,178** | – | **–** | – |

Other payables are non-interest-bearing and have average payment terms of one to three months.

Deferred income represents membership admission fees of which the respective services have not yet been rendered.

## 31. Construction Payables

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

## 32. Interest-Bearing Bank and Other Borrowings

### Group

| | 2013 | | | 2012 |
|---|---|---|---|---|
| | Effective interest rate (%) | Maturity | HK$'000 | HK$'000 |
| **Current** | | | | |
| Bank loan – secured | 5.9 | 2014 | 63,595 | – |
| Bridging Loan – secured | 13 | 2014 | 1,653,460 | – |
| | | | 1,717,055 | – |

As at 31 December 2013, all borrowings were repayable within one year (2012: Nil).

*Notes:*

(a) The Group's Bridging Loan is secured by the pledge of certain of the Group's land use rights included in properties under development, which had an aggregate carrying value of approximately HK$4,621,318,000 (2012: Nil) at the end of the reporting period (note 16).

In addition, the Company's shareholder, ZJ Holdings and the Company have executed guarantees in respect of the Bridging Loan borrowed by the Project Subsidiary up to HK$1,653,460,000 (2012: Nil) and HK$992,076,000 (2012: Nil), respectively.

(b) The Company's shareholder, ZJ Holdings, has executed a guarantee in respect of the Group's bank loan of HK$63,595,000 (2012: Nil) as at the end of the reporting period.

(c) All borrowings are denominated in Renminbi with fixed interest rates.

## 33. Derivative Financial Instruments and Convertible Bonds

On 12 August 2013, the Company issued convertible bonds with a nominal value of HK$500,000,000. There was no movement in the number of these convertible bonds since its subscription.

Pursuant to the subscription agreement, the convertible bonds are:

(a) convertible at the option of the bondholders into ordinary shares on or after 12 August 2013 and prior to 12 August 2018, on the basis of one ordinary share with nominal value of HK$0.10 each at an initial conversion price of HK$1.50, subject to adjustments in certain events;

(b) redeemable at the option of the bondholders at any time within one month from the date falling three years from 12 August 2013 at a value that will provide the bondholders with an internal rate of return of 13% per annum (including the accrued 5% interest paid) on the principal amount of the convertible bonds to be redeemed;

(c) redeemable at the option of the Company at any time on or after the second anniversary from 12 August 2013 and up to the third business day prior to 12 August 2018 at a value that will provide the bondholders with an internal rate of return of 13% per annum (including the accrued 5% interest paid) on the principal amount of the convertible bonds to be redeemed; and

(d) mandatory convertible at the option of the Company at any time in whole or in part of the convertible bonds for the time being outstanding, provided that (i) the volume weighted average closing price of the Company's shares in the immediately preceding 30 consecutive trading days represents 120% or more of the then conversion price; and (ii) the average daily trading volume of the Company's shares in the immediately preceding 30 consecutive trading days represents not less than 5,000,000 shares (subject to adjustment) and the daily trading volume of the Company's shares on each of such 30 consecutive trading days is not less than 3,000,000 shares (subject to adjustment).

Unless previously redeemed, converted or purchased or cancelled, any convertible bonds not converted will be redeemed at a value that will provide the bondholders with an internal rate of return of 13% per annum (including the accrued 5% interest paid) on the principal amount of the convertible bonds to be redeemed on 12 August 2018. The convertible bonds carry interest at a rate of 5% per annum, which is payable semi-annually in arrears on 30 June and 31 December.

## 33. Derivative Financial Instruments and Convertible Bonds *(Continued)*

The movements of the derivative and liability components of the convertible bonds issued by the Group and the Company during the year are as below:

### Group and Company

| | Liability component HK$'000 | Derivative component HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 1 January 2013 | – | – | – |
| Issuance during the year | 376,702 | 123,298 | 500,000 |
| Direct transaction costs attributable to the liability component | (7,391) | – | (7,391) |
| Interest expenses *(note 7)* | 27,468 | – | 27,468 |
| Interest paid | (9,658) | – | (9,658) |
| Fair value gain on derivative financial instrument *(note 5)* | – | (17,234) | (17,234) |
| At 31 December 2013 | 387,121 | 106,064 | 493,185 |

## 34. Promissory Note

On 12 August 2013, the Company issued the Promissory Note with an aggregate principal amount of HK$850,000,000 as part of the consideration for the acquisition of Lamdeal Development and Lamdeal Golf (note 39). The Promissory Note is interest-free, with a principal amount of HK$250,000,000 repayable on or before 31 December 2014 and a principal amount of HK$200,000,000 each repayable on or before 31 December 2015, 2016 and 2017, respectively. The Promissory Note is secured by 100% shares of Lamdeal Golf. The fair value of the Promissory Note at the date of issue was estimated to be HK$691,409,000 based on the effective interest rate of 7.8% per annum.

Movements of the Promissory Note of the Group and the Company during the year are as follows:

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| Carrying value at beginning of the year | **–** | – |
| Issue of the Promissory Note, at fair value *(note 39)* | **691,409** | – |
| Interest charged for the year *(note 7)* | **19,903** | – |
| Carrying value at end of the year | **711,312** | – |
| Current portion | **(250,000)** | – |
| Non-current portion | **461,312** | – |

## 35. Warrants

Pursuant to a subscription agreement entered into with LIM Asia Special Situations Master Fund Limited (the "Subscriber") on 25 November 2013, the Company issued 70,000,000 ordinary shares at HK$1.52 each and 30,000,000 unlisted warrants (the "Warrants") at the warrant issue price of HK$0.023 per warrant to the Subscriber.

The Warrants give the holder of the Warrants the rights to subscribe for 30,000,000 new shares of the Company's ordinary shares. The initial subscription price of the Warrants is HK$1.80 per share, subject to adjustment, at any time during the period from 25 November 2013 to 24 November 2018. Further details of the warrants are set out in the Company's announcement dated 18 November 2013.

The Warrants were classified as derivatives and were accounted for as financial liabilities at fair value through profit or loss upon initial recognition. The fair value of the Warrants was remeasured at the end of the reporting period at HK$12,606,000. The loss of HK$11,916,000 arising from the change in fair value was charged in the statement of profit or loss during the year ended 31 December 2013.

No warrants were exercised during the year. Upon full exercise of the Warrants, a total of 30,000,000 new shares will be issued under the present capital structure of the Company and the net proceeds upon full exercise are approximately HK$54,000,000.

## 36. Deferred Tax Liabilities

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

| | Revaluation of leasehold buildings HK$'000 | Fair value adjustments arising from acquisition of subsidiaries HK$'000 | Withholding taxes HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **31 December 2013** | | | | |
| At 1 January 2013 | 11,933 | – | 16,466 | 28,399 |
| Acquisition of subsidiaries *(note 39)* | – | 827,820 | – | 827,820 |
| Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 9)* | (1,185) | (292) | 4,500 | 3,023 |
| Deferred tax debited to equity during the year | 15,395 | – | – | 15,395 |
| Withholding tax paid on repatriation of earnings from subsidiaries in Mainland China | – | – | (5,295) | (5,295) |
| Exchange realignment | 25 | 26,000 | – | 26,025 |
| At 31 December 2013 | 26,168 | 853,528 | 15,671 | 895,367 |

## 36. Deferred Tax Liabilities *(Continued)*

| | Revaluation of leasehold buildings HK$'000 | Fair value adjustments arising from acquisition of subsidiaries HK$'000 | Withholding taxes HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **31 December 2012** | | | | |
| At 1 January 2012 | 13,346 | – | 9,849 | 23,195 |
| Deferred tax charged to the statement of profit or loss during the year *(note 9)* | – | – | 6,617 | 6,617 |
| Deferred tax credited to equity during the year | (1,411) | – | – | (1,411) |
| Exchange realignment | (2) | – | – | (2) |
| At 31 December 2012 | 11,933 | – | 16,466 | 28,399 |

The Group has tax losses arising in Hong Kong of approximately HK$77,582,000 (2012: HK$77,582,000) 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 established in the PRC in respect of earnings generated from 1 January 2008.

For the remaining subsidiaries established in the PRC, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes as, in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised totalled approximately HK$11,881,000 at 31 December 2013 (2012: HK$9,897,000).

## 37. Share Capital

| Shares | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Authorised: | | |
| 2,000,000,000 ordinary shares of HK$0.10 each | **200,000** | 200,000 |
| Issued and fully paid: | | |
| 1,414,163,909 (2012: 1,118,600,000) ordinary shares of HK$0.10 each | **141,416** | 111,860 |

A summary of the movements in the Company's issued share capital during the year is as follows:

| | *Notes* | Number of shares in issue | Issued share capital HK$'000 | Share premium account HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Issued: | | | | | |
| At 1 January 2012, 31 December 2012 and 1 January 2013 | | 1,118,600,000 | 111,860 | 459,870 | 571,730 |
| Issue of shares on 12 August 2013 | *(a)* | 225,563,909 | 22,556 | 331,579 | 354,135 |
| Issue of shares on 25 November 2013 | *(b)* | 70,000,000 | 7,000 | 96,760 | 103,760 |
| | | 295,563,909 | 29,556 | 428,339 | 457,895 |
| At 31 December 2013 | | 1,414,163,909 | 141,416 | 888,209 | 1,029,625 |

*Notes:*

(a) On 12 August 2013, the Consideration Shares were allotted and issued to the Vendor, pursuant to the Lamdeal SP Agreement dated 10 April 2013 as part of the consideration for the acquisition of Lamdeal Development and Lamdeal Golf (note 39). The fair value of each Consideration Share of HK$1.57 was based on the market price of the Company's ordinary share on 12 August 2013.

(b) On 25 November 2013, 70,000,000 ordinary shares of HK$0.10 each were allotted and issued for cash at a subscription price of HK$1.52 per share, pursuant to the subscription agreement entered into with the Subscriber for a total cash consideration, before expenses, of HK$106,400,000. Transaction costs of approximately HK$2,640,000 have been deducted from the share premium account.

## 38. Reserves

### (a) Group

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2013 and 2012 are 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 a joint venture 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 joint venture, 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 HK$200,573,000 (2012: HK$200,573,000) remains eliminated against consolidated reserves, as further explained in note 18 to the financial statements.

### (b) Company

| | **Share premium account** HK$'000 | **Contributed surplus** HK$'000 | **Available-for-sale investment revaluation reserve** HK$'000 (note 22) | **Retained profits** HK$'000 | **Total** HK$'000 |
|---|---|---|---|---|---|
| At 1 January 2012 | 459,870 | 628,440 | 3,800 | 635 | 1,092,745 |
| Profit for the year | – | – | – | 24,282 | 24,282 |
| Changes in fair value of available-for-sale investments | – | – | (1,400) | – | (1,400) |
| Total comprehensive income/(expense) for the year | – | – | (1,400) | 24,282 | 22,882 |
| 2011 final dividend declared *(note 11)* | – | – | – | (11,186) | (11,186) |
| 2011 special dividend declared *(note 11)* | – | – | – | (11,186) | (11,186) |
| At 31 December 2012 and 1 January 2013 | 459,870 | 628,440 | 2,400 | 2,545 | 1,093,255 |
| Profit for the year | – | – | – | 128,696 | 128,696 |
| Changes in fair value of available-for-sale investments | – | – | 1,400 | – | 1,400 |
| Total comprehensive income for the year | – | – | 1,400 | 128,696 | 130,096 |
| Issue of shares *(note 37)* | 428,339 | – | – | – | 428,339 |
| At 31 December 2013 | 888,209 | 628,440 | 3,800 | 131,241 | 1,651,690 |

## 38. Reserves *(Continued)*

### (b) Company *(Continued)*

The profit of HK$128,696,000 (2012: HK$24,282,000) for the year ended 31 December 2013 included dividend income of HK$135,000,000 (2012: HK$34,372,000) 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 38(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.

## 39. Business Combination

On 12 August 2013, the Group acquired the entire issued capital of Lamdeal Development and Lamdeal Golf from the Vendor. The principal activity of the Lamdeal Golf Group is the operation of a golf club in Zhuhai, the PRC, and that of the Lamdeal Development Group is property development on certain parcels of land. The purchase consideration for the Acquisition was satisfied by (1) cash in the amount of HK$500 million; (2) the issue of Consideration Shares; and (3) the Promissory Note with the nominal amount of HK$850 million.

The Group has elected to measure the non-controlling interests in Lamdeal Development and Lamdeal Golf at the non-controlling interests' proportionate share of Lamdeal Development and Lamdeal Golf's identifiable net assets.

The fair values of the identifiable assets and liabilities of the Lamdeal Development Group and the Lamdeal Golf Group as at the date of acquisition were as follows:

| | *Notes* | **Fair value recognised on acquisition** HK$'000 |
|---|---|---|
| Property, plant and equipment | *13* | 46,066 |
| Prepaid land lease payments | *14* | 176,358 |
| Properties under development | *16* | 3,353,655 |
| Inventories | | 2,266 |
| Trade receivables | | 794 |
| Due from a non-controlling equity holder of a subsidiary | | 1,462 |
| Due from a related company | | 215,051 |
| Cash and cash equivalents | | 46,648 |
| Trade payables | | (1,472) |
| Current portion of deferred income, accrued liabilities and other payables | | (20,732) |
| Tax payable | | (18) |
| Non-current portion of deferred income | | (122,626) |
| Deferred tax liabilities | | (827,820) |
| Non-controlling interests | | (1,142,967) |
| | | 1,726,665 |

## 39. Business Combination *(Continued)*

| | HK$'000 |
|---|---|
| Consideration for the acquisition: | |
| Cash | 500,000 |
| Issue of Consideration Shares *(note 37(a))* | 354,135 |
| Issue of the Promissory Note *(note 34)* | 691,409 |
| Total consideration | 1,545,544 |
| Gain on bargain purchase recognised in the consolidated statement of profit or loss | 181,121 |

The Group incurred transaction costs of HK$5,240,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

| | HK$'000 |
|---|---|
| Cash consideration | (500,000) |
| Cash and bank balances acquired | 46,648 |
| Net outflow of cash and cash equivalents included in cash flows from investing activities | (453,352) |
| Transaction costs of the acquisition included in cash flows from operating activities | (5,240) |
| | (458,592) |

Gain on bargain purchase was mainly derived from increase in fair value of the identifiable assets and liabilities of the Lamdeal Development Group and the Lamdeal Golf Group from the date of the Lamdeal SP Agreement to the date of completion of the Acquisition.

Since the acquisition, Lamdeal Development and Lamdeal Golf contributed HK$16,112,000 to the Group's revenue and caused a loss of HK$65,207,000 to the consolidated profit for the year ended 31 December 2013.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK$1,128,639,000 and HK$215,974,000, respectively.

## 40. Share Option Schemes

### (a) Old 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 an ordinary resolution passed at the annual general meeting of the Company held 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.

During the years ended 31 December 2013 and 2012, 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 2013 and 2012.

### (b) New Share Option Scheme

Pursuant to an ordinary resolution passed by the annual general meeting of the Company held on 28 May 2012, a new share option scheme ("New Share Option Scheme") was adopted. 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.

(ii) The participants of the New Share Option Scheme include: (a) any eligible employee; (b) any non-executive 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.

## 40. Share Option Schemes *(Continued)*

### (b) New Share Option Scheme *(Continued)*

(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 of 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.

(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.

## 40. Share Option Schemes *(Continued)*

### (b) New Share Option Scheme *(Continued)*

(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.

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

During the year ended 31 December 2013, 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 31 December 2013.

## 41. Contingent Liabilities

At the end of the reporting period, the Group had no significant contingent liabilities (2012: Nil).

At the end of the reporting period, the contingent liabilities of the Company in respect of guarantees given to a financial institution to secure the Bridging Loan utilised by the Project Subsidiary amounted to approximately HK$992,076,000 (2012: Nil).

## 42. 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 | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| Within one year | **33,232** | 33,765 |
| In the second to fifth years, inclusive | **67,019** | 44,036 |
| After five years | **34,116** | 16,156 |
| | **134,367** | 93,957 |

## 42. Operating Lease Arrangements *(Continued)*

### (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 (2012: 1 to 40 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 | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 (Restated) | **HK$'000** | HK$'000 |
| Within one year | **10,263** | 8,824 | **1,723** | 723 |
| In the second to fifth years, inclusive | **11,059** | 13,221 | **653** | – |
| After five years | **17,284** | 14,218 | **–** | – |
| | **38,606** | 36,263 | **2,376** | 723 |

## 43. Commitments

In addition to the operating leases commitments detailed in note 42(b) above, the Group had the following contracted, but not provided for, commitments at the end of the reporting period:

(a) in respect of acquisition of items of property, plant and equipment of HK$26,882,000 (2012 (Restated): HK$38,793,000); and

(b) in respect of construction works related to properties under development of HK$15,018,000 (2012: Nil).

## 43. Commitments *(Continued)*

The Group has entered into an agreement with an independent third party to pay an annual management fee of RMB24,000,000 (approximately HK$30,525,000) for a period of 90 months for management of the property development project of the Group. At 31 December 2013, total management fee commitment falling due as follows:

| | 2013<br>HK$'000 | 2012<br>HK'000 |
|---|---|---|
| Within one year | 30,525 | – |
| In the second to fifth years, inclusive | 122,102 | – |
| After five years | 76,314 | – |
| | 228,941 | – |

The Company had no significant capital commitments at the end of the reporting period (2012: Nil).

## 44. Related Party Transactions

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

| Name | Notes | Nature | 2013<br>HK$'000 | 2012<br>HK$'000<br>(Restated) |
|---|---|---|---|---|
| Jiuzhou Transport Company | (i) | Port service fees | 2,132 | 2,161 |
| ZJ Holdings | (ii) | Rental expenses | 5,107 | 4,934 |
| Resort Company | (iii) | Rental expenses | – | – |
| ZJ Holdings | 27 | Interest expenses | 17,298 | – |

*Notes:*

(i) Jiuzhou Transport Company, a subsidiary of ZJ Holdings, received port service fees for acting as an agent for the sale of ferry tickets to passengers at the Jiuzhou Port in Zhuhai to Ferry Company. The service fees are charged at a rate of 3% on the gross proceeds from the sale of ferry tickets, after deducting certain expenses and fees payable to certain independent third parties for certain ferry lines under the agency transportation cum management fee agreements made between Jiuzhou Port Company, Ferry Company and Jiuzhou Transport Company for the term commencing 28 September 2012 and expiring on 31 December 2014. Pursuant to its supplementary agreements dated 30 September 2013, the charge rate was revised to 1% for the period from 1 October 2013 to 31 December 2014.

## 44. Related Party Transactions *(Continued)*

### (a) *Notes: (Continued)*

(ii) Jiuzhou Port Company has entered into certain lease agreements with ZJ Holdings, a substantial shareholder of the Company, as follows:

(1) Under a lease agreement dated 28 March 2000, ZJ Holdings 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 for a period of 40 years starting from 28 March 2000;

(2) Under renewed lease agreements dated 16 December 2011 and 1 January 2013, ZJ Holdings agreed to lease to Jiuzhou Port Company the plaza surrounding the Jiuzhou Port at an annual rental of RMB700,000 for a period of one year starting from 1 January 2012 and for a period of one year starting from 1 January 2013, respectively;

(3) Under renewed lease agreements dated 1 January 2009 and 30 December 2011, ZJ Holdings agreed to lease to Jiuzhou Port Company certain office premises at an annual rental of approximately RMB755,000 for a period of five years starting from 1 January 2009 and for a period of three years starting from 1 January 2012, respectively;

(4) Under renewed lease agreements dated 29 November 2009 and 16 December 2011, ZJ Holdings 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 for a period of two years starting from 1 January 2010 and for a period of three years starting from 1 January 2012, respectively;

(5) Under lease agreements dated 1 January 2009 and 16 December 2011, ZJ Holdings 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 for a period of three years starting from 1 December 2008 and for a period of three years starting from 1 January 2012, respectively;

(6) On 31 December 2011, ZJ Holdings 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 for a period of three years starting from 1 January 2012; and

(7) On 25 July 2012, ZJ Holdings and 珠海九洲企業管理有限公司 entered into a lease agreement for certain office premises at a monthly rental of approximately RMB6,000 for a period from 1 August 2012 to 31 December 2014.

(iii) The rental expenses paid to 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 Hotel Land 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, 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 or till the Group obtained the legal titleship of the land use right certificate and building certificates in respect of the Hotel Land.

### (b) Other transactions with related parties

In addition, in 1994, Jiuzhou Port Company was granted by ZJ Holdings, who is also the joint venture partner of Ferry Company, the rights to use the port facilities at the Jiuzhou Port for a period of 20 years at a lump sum payment of approximately RMB33,000,000 (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 15).

## 44. Related Party Transactions *(Continued)*

### (c) Outstanding balances with related parties

Details of the Group's balances with related parties were set out in notes 21 and 27 to the financial statements.

### (d) Compensation to key management personnel of the Group

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Short term employee benefits | 2,218 | 1,904 |
| Post-employment benefits | 193 | 172 |
| Total compensation paid to key management personnel | 2,411 | 2,076 |

Further details of directors' remuneration are included in note 8 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 "Connected and continuing connected transactions".

## 45. 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:

### 2013

| | Group | | | |
|---|---|---|---|---|
| Financial assets | Financial assets at fair value through profit or loss HK$'000 | Loans and receivables HK$'000 | Available-for-sale financial assets HK$'000 | Total HK$'000 |
| Available-for-sale investments | – | – | 11,190 | 11,190 |
| Securities measured at fair value through profit or loss | 1,138 | – | – | 1,138 |
| Trade receivables | – | 58,074 | – | 58,074 |
| Financial assets included in prepayments, deposits and other receivables | – | 61,806 | – | 61,806 |
| Due from an associate | – | 9,165 | – | 9,165 |
| Due from related companies | – | 114,896 | – | 114,896 |
| Restricted bank balance | – | 890 | – | 890 |
| Cash and cash equivalents | – | 911,124 | – | 911,124 |
| | 1,138 | 1,155,955 | 11,190 | 1,168,283 |

## 45. 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)*

### 2013 *(Continued)*

| | Group | | |
|---|---|---|---|
| **Financial liabilities** | **Financial liabilities at fair value through profit or loss HK$'000** | **Financial liabilities at amortised cost HK$'000** | **Total HK$'000** |
| Trade payables | – | 39,541 | 39,541 |
| Accrued liabilities and other payables | – | 361,191 | 361,191 |
| Construction payables | – | 9,066 | 9,066 |
| Interest-bearing bank and other borrowings | – | 1,717,055 | 1,717,055 |
| Derivative financial instruments | 106,064 | – | 106,064 |
| Promissory note | – | 711,312 | 711,312 |
| Warrants | 12,606 | – | 12,606 |
| Due to a shareholder | – | 16,637 | 16,637 |
| Due to related companies | – | 3,832 | 3,832 |
| Convertible bonds | – | 387,121 | 387,121 |
| Loan from a shareholder | – | 373,468 | 373,468 |
| | 118,670 | 3,619,223 | 3,737,893 |

## 45. 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)*

### 2012

| | Group | | | |
|---|---|---|---|---|
| **Financial assets** | Financial assets at fair value through profit or loss HK$'000 (Restated) | Loans and receivables HK$'000 (Restated) | Available-for-sale financial assets HK$'000 (Restated) | Total HK$'000 (Restated) |
| Available-for-sale investments | – | – | 9,742 | 9,742 |
| Securities measured at fair value through profit or loss | 70,530 | – | – | 70,530 |
| Trade receivables | – | 65,504 | – | 65,504 |
| Financial assets included in prepayments, deposits and other receivables | – | 29,787 | – | 29,787 |
| Due from an associate | – | 8,356 | – | 8,356 |
| Due from a shareholder | – | 7,155 | – | 7,155 |
| Due from related companies | – | 703 | – | 703 |
| Restricted bank balance | – | 863 | – | 863 |
| Cash and cash equivalents | – | 783,318 | – | 783,318 |
| | 70,530 | 895,686 | 9,742 | 975,958 |

| **Financial liabilities** | Financial liabilities at amortised cost HK$'000 (Restated) |
|---|---|
| Trade payables | 36,940 |
| Accrued liabilities and other payables | 218,215 |
| Construction payables | 17,496 |
| Due to related companies | 3,475 |
| | 276,126 |

## 45. 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)*

### 2013

| Financial assets | Company<br>Financial assets at fair value through profit or loss<br>HK$'000 | Loans and receivables<br>HK$'000 | Available-for-sale financial assets<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|
| Available-for-sale investments | – | – | 9,600 | 9,600 |
| Securities measured at fair value through profit or loss | 1,138 | – | – | 1,138 |
| Deposits and other receivables | – | 41,718 | – | 41,718 |
| Due from subsidiaries | – | 368,302 | – | 368,302 |
| Cash and cash equivalents | – | 127,468 | – | 127,468 |
| | 1,138 | 537,488 | 9,600 | 548,226 |

| Financial liabilities | Financial liabilities at fair value through profit or loss<br>HK$'000 | Financial liabilities at amortised cost<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|
| Accrued liabilities and other payables | – | 9,370 | 9,370 |
| Derivative financial instruments | 106,064 | – | 106,064 |
| Promissory Note | – | 711,312 | 711,312 |
| Warrants | 12,606 | – | 12,606 |
| Convertible bonds | – | 387,121 | 387,121 |
| | 118,670 | 1,107,803 | 1,226,473 |

## 45. 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)*

### 2012

| | Company | | | |
|---|---|---|---|---|
| **Financial assets** | Financial assets at fair value through profit or loss HK$'000 | Loans and receivables HK$'000 | Available-for-sale financial assets HK$'000 | Total HK$'000 |
| Available-for-sale investments | – | – | 8,200 | 8,200 |
| Securities measured at fair value through profit or loss | 983 | – | – | 983 |
| Deposits and other receivables | – | 983 | – | 983 |
| Cash and cash equivalents | – | 26,891 | – | 26,891 |
| | 983 | 27,874 | 8,200 | 37,057 |

| **Financial liabilities** | Financial liabilities at amortised cost HK$'000 |
|---|---|
| Accrued liabilities and other payables | 8,510 |

## 46. Fair Value Hierarchy of Financial Instruments

Management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation process and results are discussed twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Below is a summary of significant unobservable inputs to the valuation of financial instruments:

| | Valuation techniques | Significant unobservable inputs | % | Sensitivity of the input to fair value |
|---|---|---|---|---|
| Warrants | Binomial model | Volatility level | 40 | 5% increase/(decrease) in volatility would result in increase/(decrease) in fair value by HK$1,796,000 and HK$1,848,000, respectively |
| Derivative financial instruments | Binomial model | Discount rate | 17 | 0.5% increase/(decrease) in discount rate would result in decrease/(increase) in fair value by HK$4,917,000 and HK$5,104,000, respectively |
| | | Volatility level | 40 | 5% increase/(decrease) in volatility would result in increase/(decrease) in fair value by HK$313,000 and HK$12,441,000, respectively |

## 46. Fair Value Hierarchy of Financial Instruments *(Continued)*

### Assets measured at fair value:

As at 31 December 2013 and 2012, the available-for-sale equity investments of HK$9,600,000 (2012: HK$8,200,000) and HK$9,600,000 (2012: HK$8,200,000) and the securities measured at fair value through profit or loss of HK$1,138,000 (2012: HK$70,530,000) and HK$1,138,000 (2012: HK$983,000) of the Group and the Company, respectively, are measured by using quoted prices in active markets (i.e., level 1).

### Liabilities measured at fair value:

As at 31 December 2013, the derivative financial instruments and the warrants of the Group and the Company are measured by using significant unobservable inputs (i.e., level 3).

The Group and the Company did not have any financial liabilities measured at fair value as at 31 December 2012.

As at 31 December 2013 and 2012, the Group and the Company had no financial assets measured at fair value under Level 3.

During the years ended 31 December 2013 and 2012, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted investment funds are based on quoted prices from fund managers.

## 47. 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 associates, cash and cash equivalents, interest-bearing bank and other borrowings, derivative financial instruments, Promissory Note, warrants and convertible bonds. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, foreign currency risk, price risk and commodity price risk. The 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 intermediate and direct customer bases of the Group's trade receivables are widely dispersed in 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 deposit for the proposed acquisition of a subsidiary in prior years, cash and cash equivalents, securities measured at fair value through profit or loss, available-for-sale investments, balances with related parties and associates, 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, trade receivables and balances with related parties are disclosed in notes 23, 26 and 27, respectively, to the financial statements.

## 47. Financial Risk Management Objectives and Policies *(Continued)*

### (2) Liquidity risk

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

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

**Group**

| | 2013 | | | |
|---|---|---|---|---|
| | On demand HK$'000 | Less than 12 months HK$'000 | 1 to 5 years HK$'000 | Total HK$'000 |
| Trade payables | – | 39,541 | – | 39,541 |
| Financial liabilities included in deferred income, accrued liabilities and other payables | – | 361,191 | – | 361,191 |
| Construction payables | – | 9,066 | – | 9,066 |
| Interest-bearing bank and other borrowings | – | 1,851,583 | – | 1,851,583 |
| Promissory Note | – | 250,000 | 600,000 | 850,000 |
| Due to a shareholder | 16,637 | – | – | 16,637 |
| Due to related companies | 3,832 | – | – | 3,832 |
| Convertible bonds | – | 50,000 | 844,342 | 894,342 |
| Loan from a shareholder | – | – | 448,724 | 448,724 |
| | 20,469 | 2,561,381 | 1,893,066 | 4,474,916 |

## 47. Financial Risk Management Objectives and Policies *(Continued)*

### (2) Liquidity risk *(Continued)*

**Group** *(Continued)*

| | 2012 | | | |
|---|---|---|---|---|
| | On demand HK$'000 (Restated) | Less than 12 months HK$'000 (Restated) | 1 to 5 years HK$'000 (Restated) | Total HK$'000 (Restated) |
| Trade payables | – | 36,940 | – | 36,940 |
| Financial liabilities included in deferred income, accrued liabilities and other payables | – | 218,215 | – | 218,215 |
| Construction payables | – | 17,496 | – | 17,496 |
| Due to related companies | 3,475 | – | – | 3,475 |
| | 3,475 | 272,651 | – | 276,126 |

**Company**

| | **2013** | | | |
|---|---|---|---|---|
| | **On demand HK$'000** | **Less than 12 months HK$'000** | **1 to 5 years HK$'000** | **Total HK$'000** |
| Accrued liabilities and other payables | **–** | **9,370** | **–** | **9,370** |
| Promissory Note | **–** | **250,000** | **600,000** | **850,000** |
| Convertible bonds | **–** | **50,000** | **844,342** | **894,342** |
| Guarantees given to a financial institution in connection with facilities granted to a subsidiary | **992,076** | **–** | **–** | **992,076** |
| | **992,076** | **309,370** | **1,444,342** | **2,745,788** |

| | 2012 | | | |
|---|---|---|---|---|
| | On demand HK$'000 | Less than 12 months HK$'000 | 1 to 5 years HK$'000 | Total HK$'000 |
| Accrued liabilities and other payables | – | 8,510 | – | 8,510 |

## 47. Financial Risk Management Objectives and Policies *(Continued)*

### (3) Foreign currency risk

The Group operates in Hong Kong and the PRC 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 the PRC. 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** HK$'000 |
|---|---|---|
| **2013** | | |
| If RMB strengthens against Hong Kong dollar | **5** | **67** |
| If RMB weakens against Hong Kong dollar | **(5)** | **(67)** |
| 2012 | | |
| If RMB strengthens against Hong Kong dollar | 5 | 65 |
| If RMB weakens against Hong Kong dollar | (5) | (65) |

## 47. Financial Risk Management Objectives and Policies *(Continued)*

### (4) Price risk

Price risk is the risk that the fair values of securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group is exposed to price risk arising from individual investments classified as securities measured at fair value through profit or loss (note 24) and available-for-sale investments (note 22) as at 31 December 2013. The Group's listed investments are mainly listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period. The Group's unlisted investment funds are valued at quoted prices at the end of the reporting period provided by the respective fund managers.

The 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 statement of profit or loss.

| | **Carrying amount of securities HK$'000** | **Decrease in the Group's profit before tax HK$'000** | **Decrease in the Group's equity* HK$'000** |
|---|---|---|---|
| **2013** | | | |
| 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 | **1,138** | **(171)** | **–** |

| | Carrying amount of securities HK$'000 | Decrease in the Group's profit before tax HK$'000 | Decrease in the Group's equity* HK$'000 |
|---|---|---|---|
| 2012 | | | |
| Investments in: | | | |
| Hong Kong | | | |
| – Available-for-sale listed equity investment | 8,200 | – | (1,230) |
| – Listed equity investments measured at fair value through profit or loss | 983 | (147) | – |
| Mainland China | | | |
| – Unlisted investment funds measured at fair value through profit or loss | 69,547 | (6,955) | – |

* Excluding retained profits

## 47. Financial Risk Management Objectives and Policies *(Continued)*

### (5) Commodity price risk

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

### (6) Capital management

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

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade payables, accrued liabilities and other payables, construction payables, derivative financial instruments, the Promissory Note, warrants, convertible bonds, amounts due to a shareholder and related companies and a loan from a shareholder less cash and cash equivalents. Capital represents equity attributable to ordinary equity holders of the Company.

## 47. Financial Risk Management Objectives and Policies *(Continued)*

### (6) Capital management *(Continued)*

**Group**

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Interest-bearing bank and other borrowings | 1,717,055 | – |
| Trade payables | 39,541 | 36,940 |
| Accrued liabilities and other payables | 361,191 | 218,215 |
| Construction payables | 9,066 | 17,496 |
| Derivative financial instruments | 106,064 | – |
| Promissory Note | 711,312 | – |
| Warrants | 12,606 | – |
| Convertible bonds | 387,121 | – |
| Due to a shareholder | 16,637 | – |
| Due to related companies | 3,832 | 3,475 |
| Loan from a shareholder | 373,468 | – |
| Less: Cash and cash equivalents | (911,124) | (783,318) |
| Net debt/(cash) | 2,826,769 | (507,192) |
| Equity attributable to ordinary equity holders of the Company | 2,241,498 | 1,425,047 |
| Capital and net debt | 5,068,267 | 917,855 |
| Gearing ratio | 56% | N/A |

## 48. Event After the Reporting Period

On 12 March 2014, the Company entered into a term sheet with the Investor which indicated its willingness to invest in the Project Subsidiary by way of subscription of 30% equity interest of enlarged equity of the Project Subsidiary at a consideration of RMB1,440,000,000 (approximately HK$1,831,000,000) (note 2.2).

## 49. Comparative Amounts

As further explained in note 2.3, the Deemed Acquisition is regarded as common control combinations and accounted for using the principles of merger accounting in accordance with Accounting Guideline No. 5 issued by the HKICPA. Upon the completion, the financial statements of Ferry Company and its subsidiaries are included in the consolidated financial statements of the Group for the year ended 31 December 2013 as if the combinations had occurred from the date when Ferry Company and its subsidiaries first came under common control of the substantial shareholder. Comparative figures as at 31 December 2012 and for the year ended 31 December 2012 were also restated to present on the same basis.

## 50. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 27 March 2014.

# PARTICULARS OF PROPERTIES

## PROPERTIES UNDER DEVELOPMENT

| Location | Use | Site area (sq.m.) | Approximately gross floor area (sq.m.) | Stage | Attributable interest of the Group |
|---|---|---|---|---|---|
| South of Jintang East Road, East of Jinfeng Road, Tangjiawan, Hi-tech Development Zone, Zhuhai City, Guangdong Province, the PRC | Commercial/ residential | 788,400 | 718,316 | Construction commenced | 60% |

# FINANCIAL SUMMARY

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below.

## RESULTS

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 2010 | 2009 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| | | (Restated) | (Restated) | (Restated) | (Restated) |
| **REVENUE** | **1,107,835** | 967,547 | 903,670 | 755,372 | 656,433 |
| **PROFIT BEFORE TAX** | **320,729** | 171,328 | 100,021 | 78,854 | 92,547 |
| Income tax expenses | **(69,916)** | (52,729) | (37,156) | (25,185) | (26,801) |
| **PROFIT FOR THE YEAR** | **250,813** | 118,599 | 62,865 | 53,669 | 65,746 |
| Attributable to: | | | | | |
| Ordinary equity holders of the Company | **209,129** | 69,178 | 27,816 | 18,086 | 25,460 |
| Non-controlling interests | **41,684** | 49,421 | 35,049 | 35,583 | 40,286 |
| | **250,813** | 118,599 | 62,865 | 53,669 | 65,746 |

## ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

| | 31 December | | | | |
|---|---|---|---|---|---|
| | **2013** | 2012 | 2011 | 2010 | 2009 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| | | (Restated) | (Restated) | (Restated) | (Restated) |
| Total assets | **8,354,857** | 1,931,396 | 1,968,984 | 1,886,472 | 1,736,247 |
| Total liabilities | **(4,782,612)** | (326,066) | (273,226) | (272,073) | (223,327) |
| Non-controlling interests | **(1,330,747)** | (180,283) | (224,481) | (219,392) | (181,588) |
| | **2,241,498** | 1,425,047 | 1,471,277 | 1,395,007 | 1,331,332 |

The financial information for the years ended 31 December 2009, 2010, 2011 and 2012 has been restated to reflect the effect of application of Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the HKICPA. Details of which were disclosed in note 2.3 to the financial statements.

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