



珠海控股投資集團有限公司
ZHUHAI HOLDINGS INVESTMENT GROUP LIMITED
(Incorporated in Bermuda with limited liability)
Stock Code: 00908

2014
Interim Report



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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

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

PricewaterhouseCoopers
Certified Public Accountants
(with effect from 12 June 2014)

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

MUFG Fund Services (Bermuda) Limited
(formerly known as Butterfield Fulcrum
Group (Bermuda) Limited)
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda
(with effect from 30 July 2014)

Branch Share Registrar

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Head Office and Principal Place of Business in Hong Kong

Units 3709-10
37/F, West Tower, Shun Tak Centre
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Hamilton HM 11
Bermuda

Stock Code

00908

Investors Relation

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

To the Board of Directors of Zhuhai Holdings Investment Group Limited

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 5 to 49, which comprises the interim condensed consolidated statement of financial position of Zhuhai Holdings Investment Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2014 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 28 August 2014

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited) (Restated)
REVENUE	7	866,099	466,335
Cost of sales		(653,423)	(326,560)
Gross profit		212,676	139,775
Other income and gains, net		43,454	44,164
Selling and distribution expenses		(40,474)	(26,833)
Administrative expenses		(85,572)	(72,630)
Other operating expenses, net		(830)	(1,757)
Finance costs	9	(13,041)	–
Share of profits and losses of:			
A joint venture		1,742	1,506
Associates		(9)	(177)
PROFIT BEFORE TAX	8	117,946	84,048
Income tax expense	10	(41,092)	(30,033)
PROFIT FOR THE PERIOD		76,854	54,015

INTERIM CONSOLIDATED STATEMENT OF
PROFIT OR LOSS (continued)

		Six months ended 30 June	
		2014	2013
		HK\$'000	HK\$'000
	Note	(Unaudited)	(Unaudited) (Restated)
ATTRIBUTABLE TO:			
Ordinary equity holders of the Company		33,319	28,437
Non-controlling interests		43,535	25,578
		76,854	54,015
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
	12		
Basic		HK2.36 cents	HK2.54 cents
Diluted		HK1.99 cents	N/A

The notes on pages 15 to 49 form an integral part of this interim consolidated financial information.

		Six months ended 30 June	
		2014	2013
		HK\$'000	HK\$'000
	Note		
Dividends	11	–	–

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited) (Restated)
PROFIT FOR THE PERIOD	76,854	54,015
OTHER COMPREHENSIVE (LOSS)/INCOME		
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Remeasurements of defined benefit obligations	(6,578)	(558)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Fair value gains on available-for-sale investments	1,200	7,600
Exchange differences on translation of foreign operations	(44,846)	–
Total items that may be reclassified subsequently to profit or loss	(43,646)	7,600
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(50,224)	7,042
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	26,630	61,057
ATTRIBUTABLE TO:		
Ordinary equity holders of the Company	(1,802)	35,608
Non-controlling interests	28,432	25,449
	26,630	61,057

The notes on pages 15 to 49 form an integral part of this interim consolidated financial information.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited) (Restated)
	Note		
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	670,933	696,490
Prepaid land lease payments		412,805	419,781
Rights to use port facilities		18,600	19,143
Properties under development	14	4,580,601	5,518,884
Intangible asset		5,271	5,322
Interests in a joint venture		10,480	9,736
Interests in associates		9,204	9,318
Available-for-sale investments		12,375	11,190
Prepayments and deposits		38,608	24,496
Deferred tax assets		18,437	16,805
Total non-current assets		5,777,314	6,731,165
CURRENT ASSETS			
Properties under development	14	1,603,293	406,069
Securities measured at fair value through profit or loss		1,367	1,138
Available-for-sale investments		233,071	–
Inventories		16,243	16,115
Trade receivables	15	143,981	58,074
Prepayments, deposits and other receivables		79,910	151,092
Due from related companies		959	114,896
Restricted bank balance		2,465	890
Cash and cash equivalents		592,393	911,124
Total current assets		2,673,682	1,659,398
Total assets		8,450,996	8,390,563

INTERIM CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (continued)

		30 June	31 December
		2014	2013
		HK\$'000	HK\$'000
	Note	(Unaudited)	(Audited)
			(Restated)
CURRENT LIABILITIES			
Trade payables	16	30,200	39,541
Deferred income, accrued liabilities and other payables		438,345	365,663
Construction payables		33,795	9,066
Interest-bearing bank and other borrowings	17	1,655,433	1,717,055
Tax payable		12,067	16,702
Promissory note	18	250,000	250,000
Due to a major shareholder		2,877	16,637
Due to related companies		4,986	3,832
Total current liabilities		2,427,703	2,418,496
NET CURRENT ASSETS/(LIABILITIES)		245,979	(759,098)
TOTAL ASSETS LESS CURRENT LIABILITIES		6,023,293	5,972,067
NON-CURRENT LIABILITIES			
Convertible bonds	19	482,608	459,974
Promissory note	18	488,739	461,312
Loan from a major shareholder	20	392,670	373,468
Deferred income, accrued liabilities and other payables		126,609	128,178
Deferred tax liabilities		873,767	881,554
Defined benefit obligations		76,256	69,142
Total non-current liabilities		2,440,649	2,373,628
Net assets		3,582,644	3,598,439

INTERIM CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (continued)

		30 June	31 December
		2014	2013
		HK\$'000	HK\$'000
	Note	(Unaudited)	(Audited)
			(Restated)
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	21	141,416	141,416
Reserves		2,085,612	2,129,839
		2,227,028	2,271,255
Non-controlling interests		1,355,616	1,327,184
Total equity		3,582,644	3,598,439

The notes on pages 15 to 49 form an integral part of this interim consolidated financial information.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited														
	Capital and reserves attributable to ordinary equity holders of the Company														
	Issued capital	Share premium	Contributed surplus	Merger reserve	Warrant reserve	Convertible bonds equity reserve	Goodwill reserve	Asset revaluation reserve	Investment revaluation reserve	Statutory reserve funds	Exchange fluctuation reserve	Retained profits	Non-controlling interests	Total equity	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
					(Note 22)	(Note 19)									
At 1 January 2014, as previously reported	141,416	888,209	446,355	(57,310)	-	-	(200,573)	82,434	3,800	148,808	335,755	452,804	2,241,498	1,330,747	3,572,245
Prior period restatement with respect to:															
Recognition and measurement of the issuance of the convertible bonds (Note 4 (a) (i))	-	-	-	-	-	68,777	-	-	-	-	-	(35,566)	33,211	-	33,211
Capitalisation of additional borrowing costs (Note 4 (a) (ii))	-	-	-	-	-	-	-	-	-	-	-	18,901	18,901	-	18,901
Reversal of deferred tax liabilities (Note 4 (a) (iii))	-	-	-	-	-	-	-	-	-	-	-	8,288	8,288	5,625	13,813
Recognition and measurement of defined benefit obligations (Note 4 (b))	-	-	-	-	-	-	-	-	-	(1,167)	(42,062)	(43,249)	(9,068)	(52,337)	
Recognition and measurement of the issuance of the warrants (Note 4 (c))	-	-	-	-	690	-	-	-	-	-	-	11,916	12,606	-	12,606
At 1 January 2014, as restated	141,416	888,209	446,355	(57,310)	690	68,777	(200,573)	82,434	3,800	148,808	334,588	414,081	2,271,255	1,327,164	3,598,439
Total comprehensive income	-	-	-	-	-	-	-	-	1,200	-	(31,046)	28,044	(1,802)	28,432	26,630
Total transactions with ordinary equity holders, recognised directly in equity															
2013 final dividend paid (Note 11)	-	-	-	-	-	-	-	-	-	-	-	(28,283)	(28,283)	-	(28,283)
2013 special dividend paid (Note 11)	-	-	-	-	-	-	-	-	-	-	-	(14,142)	(14,142)	-	(14,142)
Total transactions with ordinary equity holders, recognised directly in equity	-	-	-	-	-	-	-	-	-	-	-	(42,425)	(42,425)	-	(42,425)
At 30 June 2014	141,416	888,209	446,355	(57,310)	690	68,777	(200,573)	82,434	5,000	148,808	303,522	399,700	2,227,028	1,355,616	3,582,644

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Unaudited												
	Capital and reserves attributable to ordinary equity holders of the Company												
	Issued capital	Share premium	Contributed surplus	Merger reserve	Goodwill Reserve	Asset revaluation reserve	Available-for-sale investment revaluation reserve	Statutory reserve funds	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013, as previously reported	111,680	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
Prior period restatement with respect to: Recognition and measurement of defined benefit obligations (Note 4 (c))	-	-	-	-	-	-	-	-	-	(39,169)	(39,169)	(8,723)	(47,892)
At 1 January 2013, as restated	111,680	459,870	446,355	(57,310)	(200,573)	36,248	2,400	133,536	233,914	219,578	1,385,878	171,560	1,557,438
Total comprehensive income	-	-	-	-	-	-	7,600	6,744	-	21,264	35,608	25,449	61,057
Total transactions with ordinary equity holders, recognised directly in equity	-	-	-	-	-	-	-	-	-	(33,001)	(33,001)	-	(33,001)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(33,001)	(33,001)	-	(33,001)
Total transactions with ordinary equity holders, recognised directly in equity	-	-	-	-	-	-	-	-	-	(33,001)	(33,001)	-	(33,001)
At 30 June 2013, as restated	111,680	459,870	446,355	(57,310)	(200,573)	36,248	10,000	140,280	233,914	207,841	1,388,485	197,009	1,585,494

The notes on pages 15 to 49 form an integral part of this interim consolidated financial information.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Cash flows from operating activities	43,945	102,716
Income tax paid	(46,959)	(30,002)
Net cash (used in)/generated from operating activities	(3,014)	72,714
Cash flows from investing activities		
Interest received	10,223	10,852
Purchases of property, plant and equipment	(26,238)	(42,005)
Proceeds from disposal of property, plant and equipment	990	624
Repayment from related companies	113,620	–
Purchases of available-for-sale investments	(233,071)	–
Recovery of deposit for the proposed acquisition of a subsidiary in prior years	30,000	–
Compensation from the vendor of the proposed acquisition of a subsidiary in prior years	12,402	–
Decrease/(increase) in time deposit with original maturity of over three months	8,491	(54,789)
Net cash used in investing activities	(83,583)	(85,318)

INTERIM CONSOLIDATED STATEMENT OF
CASH FLOWS (continued)

	Note	Unaudited	
		Six months ended 30 June	
		2014	2013
		HK\$'000	HK\$'000
Cash flows from financing activities			
New bank loan		17,638	–
Repayment of bank loan		(63,595)	–
Dividends paid		(42,425)	–
Dividend paid to non-controlling shareholders		–	(33,001)
Interest paid		(126,920)	–
Net cash used in financing activities		(215,302)	(33,001)
Net decrease in cash and cash equivalents		(301,899)	(45,605)
Cash and cash equivalents at beginning of period	23	902,633	784,181
Exchange losses		(8,341)	–
Cash and cash equivalents at end of period	23	592,393	738,576

The notes on pages 15 to 49 form an integral part of this interim consolidated financial information.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Zhuhai Holdings Investment Group Limited (the “Company”) and its subsidiaries (together, the “Group”) were engaged in the following principal activities:

- investment holding
- provision of port facilities and ferry services
- trading and distribution of fuel oil
- management of a holiday resort
- management of a theme park
- management of an amusement park
- property development
- operation of a golf club

The Company 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.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 28 August 2014.

This condensed consolidated interim financial information has been reviewed but not audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards and interpretations adopted by the Group

The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning on or after 1 January 2014.

Standards/Interpretations	Subject of amendment
Amendments to HKAS32	Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Consolidation for investment entities
Amendment to HKAS 36	Recoverable amount disclosures
Amendment to HKAS 39	Novation of derivatives
HK(IFRIC) – Int 21	Levies

The adoption of the above new and amended standards and interpretations did not have any material impact on the interim financial information.

3 ACCOUNTING POLICIES (continued)

(b) New and amended standards that have been issued and are effective for periods commencing after 1 July 2014 and have not been early adopted by the Group

Standards	Subject of amendment	Effective for annual periods beginning on or after
Amendment to HKAS 19	Defined benefit plans	1 July 2014
Annual improvements 2012	Annual improvements 2010-2012 cycle	1 July 2014
Annual improvements 2013	Annual improvements 2011-2013 cycle	1 July 2014
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operation	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted in.

4 RESTATEMENTS

In preparing the Group's condensed consolidated interim financial information for the six months ended 30 June 2014, management has revisited the accounting treatments for certain transactions entered into by the Group in previous years/periods and concluded that adjustments are required to be made to the comparative information presented so as to ensure that the condensed consolidated interim financial information presented are in compliance with HKFRS. A detailed description of the nature of each prior year/period restatement is provided in notes 4(a) to 4(c) below. The amounts of the prior year/period restatements for each financial statement line item affected are presented in the tables in note 4(d) below.

(a) Adjustments in relation to acquisition of Lamdeal Consolidated Development Limited ("Lamdeal Development") and Lamdeal Golf & Country Club Limited ("Lamdeal Golf")

On 12 August 2013 (the "Acquisition Date"), the Group acquired the entire issued capital of Lamdeal Development and Lamdeal Golf and the major asset of which is properties under development (the "Acquisition").

(i) Recognition and measurement of the issuance of the convertible bonds (the "CB")

As at Acquisition Date, the Company issued the CB and recorded a liability component and a derivative component. Based on a reassessment performed during the current period, the Group determined that the CB comprises three elements, including a liability component, an equity component and a fair value loss upon issue. The liability component is valued after taking into account the pro rata portion of transaction costs. The equity component and the fair value loss upon issue arose from the in-the-money position of the conversion feature of the CB on the issue date, which should have been charged to the profit or loss on the issue date. The recognition and measurement of the issuance of the CB has resulted in the following impacts:

- A decrease in the carrying amount of derivative financial instruments of HK\$106,064,000 as at 31 December 2013.
- An increase in the carrying amount of the convertible bonds of HK\$72,853,000 as at 31 December 2013.

4 RESTATEMENTS (continued)

(a) Adjustments in relation to acquisition of Lamdeal Development and Lamdeal Golf (continued)

(i) *Recognition and measurement of the issuance of the convertible bonds (the "CB") (continued)*

- An increase in the carrying amount of the convertible bonds equity reserve of HK\$68,777,000 as at 31 December 2013.
- A decrease in carrying amount of retained profits of HK\$35,566,000 as at 31 December 2013.

(ii) *Capitalisation of additional borrowing costs*

As at Acquisition Date, the Company issued the CB and promissory note to finance the Acquisition. In the year ended 31 December 2013, all the borrowing costs derived from the CB and promissory note were recognised as expenses. In accordance with HKAS 23 – Borrowing Costs, certain borrowing costs were directly attributable to the acquisition of a qualifying asset and hence should be capitalised. The capitalisation of additional borrowing costs has resulted in the following impacts:

- An increase in the carrying amount of current portion of properties under development of HK\$2,069,000 as at 31 December 2013.
- An increase in the carrying amount of non-current portion of properties under development of HK\$16,832,000 as at 31 December 2013.
- An increase in the carrying amount of retained profits of HK\$18,901,000 as at 31 December 2013.

4 RESTATEMENTS (continued)

(a) Adjustments in relation to acquisition of Lamdeal Development and Lamdeal Golf (continued)

(iii) *Reversal of deferred tax liabilities*

In the year ended 31 December 2013, certain borrowing costs incurred by the major subsidiary in the People's Republic of China (the "PRC") of Lamdeal Development were expensed as incurred according to HKAS 23 — Borrowing Costs. Such borrowing costs were capitalised as properties under development in the Corporate Income Tax filing submitted to local tax bureau. During current period, management discovered that deferred tax liabilities relating to properties under development as at 31 December 2013 were overstated because management understated the tax base for the properties under development when performing computation of deferred tax in accordance with HKAS 12 — Income Taxes. The overstatement of deferred tax liabilities has resulted in the following impacts:

- A decrease in the carrying amount of deferred tax liabilities of HK\$13,813,000 as at 31 December 2013.
- An increase in the carrying amount of non-controlling interests of HK\$5,525,000 as at 31 December 2013.
- An increase in the carrying amount of retained profits of HK\$8,288,000 as at 31 December 2013.

4 RESTATEMENTS (continued)

(b) Recognition and measurement of defined benefit obligations

Certain subsidiaries of the Group have continuing practice of pension payments to their retired employees till the death of the retired employees with reference to the position of the retired employees at the time when they retire. Previously, the pension payments were charged to profit or loss when incurred. In accordance with HKAS 19 – Employee Benefits, the Group should recognise defined benefit obligations by reference to the actuarial valuation assessed by a qualified actuary. The recognition and measurement of the defined benefit obligations has resulted in the following impacts:

- An increase in the carrying amount of defined benefit obligations of HK\$69,142,000 and HK\$63,265,000 as at 31 December 2013 and 1 January 2013, respectively.
- An increase in the carrying amount of deferred tax assets of HK\$16,805,000 and HK\$15,373,000 as at 31 December 2013 and 1 January 2013, respectively.
- A decrease in the carrying amount of non-controlling interests of HK\$9,088,000 and HK\$8,723,000 as at 31 December 2013 and 1 January 2013, respectively.
- A decrease in the carrying amount of exchange fluctuation reserve of HK\$1,187,000 as at 31 December 2013.
- A decrease in the carrying amount of retained profits of HK\$42,062,000 and HK\$39,169,000 as at 31 December 2013 and 1 January 2013, respectively.
- An increase in the administrative expenses of HK\$116,000 for the six months ended 30 June 2013.
- A decrease in the income tax expense of HK\$29,000 for the six months ended 30 June 2013.

4 RESTATEMENTS (continued)

(c) Recognition and measurement of the issuance of the warrants on 25 November 2013 (the “Warrants”)

As at 25 November 2013, the Company issued 30,000,000 unlisted Warrants and classified them as financial derivatives at fair value through profit or loss. The derivatives were subject to fair value remeasurement at each of the subsequent report dates. Based on a reassessment performed during the current period, the Group determined that the Warrants should be classified as equity upon initial recognition without any subsequent fair value remeasurement. As a result of the reclassification, the fair value loss on the Warrants for the year ended 31 December 2013 should be reversed. The recognition and measurement of the issuance of the Warrants has resulted in the following impacts:

- A decrease in the carrying amount of warrants of HK\$12,606,000 as at 31 December 2013.
- An increase in the carrying amount of warrant reserve of HK\$690,000 as at 31 December 2013.
- An increase in the carrying amount of retained profits of HK\$11,916,000 as at 31 December 2013.

(d) Summary of the effects of restatements

The following is a summary of the effects of the restatements on:

- (i) The Group’s interim consolidated statement of profit or loss for the six months ended 30 June 2013;
- (ii) The Group’s interim consolidated statement of comprehensive income for the six months ended 30 June 2013;
- (iii) The Group’s consolidated statement of financial position as at 31 December 2013.

NOTES TO CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (continued)

4 RESTATEMENTS (continued)

(d) Summary of the effects of restatements (continued)

(i) Effect of restatements on the Group's interim consolidated statement of profit or loss for the six months ended 30 June 2013

	As previously reported	Note 4(a)(i)	Note 4(a)(ii)	Note 4(a)(iii)	Note 4(b)	Note 4(c)	As restated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE	466,335	-	-	-	-	-	466,335
Cost of sales	(326,560)	-	-	-	-	-	(326,560)
Gross profit	139,775	-	-	-	-	-	139,775
Other income and gains, net	44,164	-	-	-	-	-	44,164
Selling and distribution expenses	(26,833)	-	-	-	-	-	(26,833)
Administrative expenses	(72,514)	-	-	-	(116)	-	(72,630)
Other operating expenses, net	(1,757)	-	-	-	-	-	(1,757)
Share of profit and losses of:							
A joint venture	1,506	-	-	-	-	-	1,506
Associates	(177)	-	-	-	-	-	(177)
PROFIT BEFORE TAX	84,164	-	-	-	(116)	-	84,048
Income tax expense	(30,062)	-	-	-	29	-	(30,033)
PROFIT FOR THE PERIOD	54,102	-	-	-	(87)	-	54,015
ATTRIBUTABLE TO:							
Ordinary equity holders of the Company	28,457	-	-	-	(20)	-	28,437
Non-controlling interests	25,645	-	-	-	(67)	-	25,578
	54,102	-	-	-	(87)	-	54,015
EARNINGS PER SHARE							
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (express in HK\$ cents per share)							
Basic	2.54	-	-	-	-	-	2.54
Diluted	N/A	N/A	N/A	N/A	N/A	N/A	N/A

NOTES TO CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (continued)

4 RESTATEMENTS (continued)

(d) Summary of the effects of restatements (continued)

(ii) *Effect of restatements on the Group's interim consolidated statement of comprehensive income for the six months ended 30 June 2013*

	As previously reported	Note 4(a)(i)	Note 4(a)(ii)	Note 4(a)(iii)	Note 4(b)	Note 4(c)	As restated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	54,102	-	-	-	(87)	-	54,015
Other comprehensive (loss)/income:							
<i>Items that will not be reclassified subsequently to profit or loss</i>							
Re-measurement of defined benefit obligations	-	-	-	-	(558)	-	(558)
<i>Items that may be reclassified subsequently to profit or loss</i>							
Fair value gains on available-for- sale investments	7,600	-	-	-	-	-	7,600
Other comprehensive income for the period	7,600	-	-	-	(558)	-	7,042
Total comprehensive income for the period	61,702	-	-	-	(645)	-	61,057
ATTRIBUTABLE TO:							
Ordinary equity holders of the Company	36,057	-	-	-	(449)	-	35,608
Non-controlling interests	25,645	-	-	-	(196)	-	25,449
	61,702	-	-	-	(645)	-	61,057

NOTES TO CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (continued)

4 RESTATEMENTS (continued)

(d) Summary of the effects of restatements (continued)

(iii) Effect of restatements on the Group's consolidated statement of financial position as at 31 December 2013

	As						As restated
	previously	Note 4(a)(i)	Note 4(a)(ii)	Note 4(a)(iii)	Note 4(b)	Note 4(c)	
	reported						
NON-CURRENT ASSETS							
Property, plant and equipment	696,490	-	-	-	-	-	696,490
Prepaid land lease payments	419,781	-	-	-	-	-	419,781
Rights to use port facilities	19,143	-	-	-	-	-	19,143
Properties under development	5,502,052	-	16,832	-	-	-	5,518,884
Intangible asset	5,322	-	-	-	-	-	5,322
Interests in a joint venture	9,736	-	-	-	-	-	9,736
Interests in associates	9,318	-	-	-	-	-	9,318
Available-for-sale investments	11,190	-	-	-	-	-	11,190
Prepayments and deposits	24,496	-	-	-	-	-	24,496
Deferred tax assets	-	-	-	-	16,805	-	16,805
Total non-current assets	6,697,528	-	16,832	-	16,805	-	6,731,165
CURRENT ASSETS							
Properties under development	404,000	-	2,069	-	-	-	406,069
Securities measured at fair value through profit or loss	1,138	-	-	-	-	-	1,138
Inventories	16,115	-	-	-	-	-	16,115
Trade receivables	58,074	-	-	-	-	-	58,074
Prepayments, deposits and other receivables	151,092	-	-	-	-	-	151,092
Due from related companies	114,896	-	-	-	-	-	114,896
Restricted bank balance	890	-	-	-	-	-	890
Cash and cash equivalents	911,124	-	-	-	-	-	911,124
Total current assets	1,657,329	-	2,069	-	-	-	1,659,398

NOTES TO CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (continued)

4 RESTATEMENTS (continued)

(d) Summary of the effects of restatements (continued)

(iii) Effect of restatements on the Group's consolidated statement of financial position as at 31 December 2013 (continued)

	As previously reported						As restated
	HK\$'000	Note 4(a)(i) HK\$'000	Note 4(a)(ii) HK\$'000	Note 4(a)(iii) HK\$'000	Note 4(b) HK\$'000	Note 4(c) HK\$'000	HK\$'000
CURRENT LIABILITIES							
Trade payables	39,541	-	-	-	-	-	39,541
Deferred income, accrued liabilities and other payables	365,663	-	-	-	-	-	365,663
Construction payables	9,066	-	-	-	-	-	9,066
Interest-bearing bank and other borrowings	1,717,055	-	-	-	-	-	1,717,055
Tax payable	16,702	-	-	-	-	-	16,702
Derivative financial instruments	106,064	(106,064)	-	-	-	-	-
Promissory note	250,000	-	-	-	-	-	250,000
Warrants	12,606	-	-	-	-	(12,606)	-
Due to a major shareholder	16,637	-	-	-	-	-	16,637
Due to related companies	3,832	-	-	-	-	-	3,832
Total current liabilities	2,537,166	(106,064)	-	-	-	(12,606)	2,418,496
NET CURRENT LIABILITIES	(879,837)	106,064	2,069	-	-	12,606	(759,098)
TOTAL ASSETS LESS CURRENT LIABILITIES	5,817,691	106,064	18,901	-	16,805	12,606	5,972,067

NOTES TO CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (continued)

4 RESTATEMENTS (continued)

(d) Summary of the effects of restatements (continued)

(iii) Effect of restatements on the Group's consolidated statement of financial position as at 31 December 2013 (continued)

	As						As restated HK\$'000
	previously	Note 4(a)(i) HK\$'000	Note 4(a)(ii) HK\$'000	Note 4(a)(iii) HK\$'000	Note 4(b) HK\$'000	Note 4(c) HK\$'000	
	reported HK\$'000						
NON-CURRENT LIABILITIES							
Convertible bonds	387,121	72,853	-	-	-	-	459,974
Promissory note	461,312	-	-	-	-	-	461,312
Loan from a major shareholder	373,468	-	-	-	-	-	373,468
Deferred income, accrued liabilities and other payables	128,178	-	-	-	-	-	128,178
Deferred tax liabilities	895,367	-	-	(13,813)	-	-	881,554
Defined benefit obligations	-	-	-	-	69,142	-	69,142
Total non-current liabilities	2,245,446	72,853	-	(13,813)	69,142	-	2,373,628
Net assets	3,572,245	33,211	18,901	13,813	(52,337)	12,606	3,598,439
EQUITY							
Equity attributable to ordinary equity holders of the Company							
Issued capital	141,416	-	-	-	-	-	141,416
Reserves	2,100,082	33,211	18,901	8,288	(43,249)	12,606	2,129,839
Non-controlling interests	2,241,498	33,211	18,901	8,288	(43,249)	12,606	2,271,255
Total equity	1,330,747	-	-	5,525	(9,088)	-	1,327,184
Total equity	3,572,245	33,211	18,901	13,813	(52,337)	12,606	3,598,439

5 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

6.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

There have been no changes in any risk management policies since year end.

6.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flow for financial liabilities. Refinancing arrangement entered after 30 June 2014 was disclosed in note 28.

6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

6.3 Fair value estimation

The different levels of financial instruments carried at fair value by valuation method are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

Assets measured at fair value:

As at 30 June 2014, the available-for-sale investments classified as non-current assets of HK\$12,375,000 (31 December 2013: HK\$11,190,000) and the securities measured at fair value through profit or loss of HK\$1,367,000 (31 December 2013: HK\$1,138,000) of the Group were measured by using quoted prices in active markets (i.e. level 1).

As at 30 June 2014, the available-for-sale investments classified as current assets of HK\$233,071,000 (31 December 2013: Nil) were measured at fair value under Level 3.

Liabilities measured at fair value:

As at 30 June 2014 and 31 December 2013, the Group had no financial liabilities measured at fair value.

There were no transfer between Level 1, Level 2 and Level 3.

7 OPERATING SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Executive directors have determined the operating segments based on these reports.

Executive directors monitor 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, finance costs and share of profits and losses of a joint venture and associates are excluded from such measurement.

No geographical segment analysis is presented as the majority of the assets and operation of the Group are located in the PRC, which is considered as one geographical location in an economic environment with similar risk and returns.

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 and the trading and distribution of fuel oil ("Maritime Passenger Transportation and Related Services");
- (b) the hotel segment consists of the management of a holiday resort hotel (the "Hotel Business");
- (c) the tourist attraction segment consists of the management of a theme park and an amusement park;
- (d) the property development segment consists of the development of properties for sale;
- (e) the golf club operations segment consists of the provision of comprehensive golf club facilities; and
- (f) the corporate and others segment comprises the Group's investment holding and trading of securities, together with corporate expense items.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

7 OPERATING SEGMENT INFORMATION (continued)

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

Segment	Tourism Properties												Consolidated 2013 HK\$'000	Consolidated 2014 HK\$'000	2013 HK\$'000	2014 HK\$'000						
	Maritime Passenger Transportation and Related Services			Hotel			Tourist attraction			Property development							Golf club operations			Corporate and others		
	2014 HK\$'000	2013 HK\$'000	(Restated)	2014 HK\$'000	2013 HK\$'000	(Restated)	2014 HK\$'000	2013 HK\$'000	(Restated)	2014 HK\$'000	2013 HK\$'000	(Restated)					2014 HK\$'000	2013 HK\$'000	(Restated)	2014 HK\$'000	2013 HK\$'000	(Restated)
Segment revenue:																						
Sales to external customers	760,487	372,975		83,946	80,443		9,745	12,917				11,921							866,099	466,335		
Intersegment sales	2,761																					
Total	763,248	372,975		83,946	80,443		9,745	12,917				11,921							866,099	466,335		
Segment results	149,088	77,880		10,226	7,023		(520)	2,062				(13,669)							119,031	71,887		
Interest income																						
Finance costs																			10,223	10,852		
Share of profits and losses of																			(13,041)	-		
A joint venture Associates	1,742	1,506																	1,742	1,506		
Profit before tax	(9)	(177)																	(9)	(177)		
Income tax expense																						
Profit for the period																			117,946	84,048		
																			(41,092)	(30,033)		
																			76,854	54,105		

* No segment assets and liabilities information is presented as, in the opinion of the directors, such information is not key indicator provided to the Group's chief operating decision maker.

NOTES TO CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (continued)

8 PROFIT BEFORE TAX

An analysis of the amounts presented as operating items in the financial information is given below:

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Net fair value gain on securities measured at fair value through profit or loss	229	2,869
Loss on disposal and write-off of items of property, plant and equipment, net	481	257

9 FINANCE COSTS

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Interest on a bank loan wholly repayable within five years	1,330	–
Interest on bridging loan	109,203	–
Interest on loan from a major shareholder	22,958	–
Interest on promissory note	27,427	–
Interest on convertible bonds	38,361	–
Less: Interest capitalised	(186,238)	–
	13,041	–

NOTES TO CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (continued)

10 INCOME TAX EXPENSE

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000 (Restated)
Current:		
Hong Kong	–	–
The PRC	39,149	27,279
Deferred income tax	1,943	2,754
Total tax charge for the period	41,092	30,033

Hong Kong profits tax has not been provided because the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2013: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the tax jurisdictions in which the Group operates, based on existing legislation and interpretations and practices in respect thereof.

11 DIVIDENDS

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Dividends paid during the period		
Final in respect of the financial year ended 31 December 2013		
– HK2 cents (2012: Nil) per ordinary share	28,283	–
Special in respect of the financial year ended 31 December 2013		
– HK1 cent (2012: Nil) per ordinary share	14,142	–
	42,425	–

No interim dividend in respect of six months ended 30 June 2014 was proposed by the board of directors.

12 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of approximately HK\$33,319,000 (six months ended 30 June 2013: HK\$28,437,000) and the weighted average number of ordinary shares in issue during the period of 1,414,163,909 (six months ended 30 June 2013: 1,118,600,000).

12 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares: convertible bonds and warrants. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect, if any.

The calculation of diluted earnings per share is based on:

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000 (Restated)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	33,319	28,437
Interest on convertible bonds	1,577	–
Profit attributable to ordinary equity holders of the Company before interest on convertible bonds	34,896	28,437

12 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (continued)

(b) Diluted (continued)

	Six months ended 30 June	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,414,163,909	1,118,600,000
Effect of dilution – weighted average number of ordinary shares: convertible bonds	340,831,629	–
	1,754,995,538	1,118,600,000

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

13 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment with a cost of HK\$26,238,000 (30 June 2013: HK\$42,005,000). Property, plant and equipment with a net book value of HK\$1,471,000 (30 June 2013: HK\$881,000) were disposed of during the six months ended 30 June 2014, resulting in loss on disposal of HK\$481,000 (30 June 2013: HK\$257,000).

NOTES TO CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (continued)

14 PROPERTIES UNDER DEVELOPMENT

	30 June 2014 HK\$'000	31 December 2013 HK\$'000 (Restated)
Properties under development expected to be completed:		
– Within one operating cycle included under current assets	1,603,293	406,069
– Beyond one operating cycle included under non-current assets	4,580,601	5,518,884
Total	6,183,894	5,924,953
Properties under development comprise:		
– Capitalised interests	243,797	62,937
– Land use rights	5,795,583	5,850,910
– Construction costs and capitalised expenditures	144,514	11,106
Total	6,183,894	5,924,953

NOTES TO CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (continued)

15 TRADE RECEIVABLES

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Trade receivables	153,308	67,213
Impairment	(9,327)	(9,139)
	143,981	58,074

A defined credit policy is maintained within the Group. The general credit terms range from one month to three months, except for certain well-established customers with a good repayment history, where the terms are extended to 18 months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Overdue balances are regularly reviewed by senior management. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at 30 June 2014 and 31 December 2013, net of impairment allowance and based on the invoice date, is as follows:

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Current to 3 months	138,949	53,132
Over 3 months	5,032	4,942
	143,981	58,074

NOTES TO CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (continued)

16 TRADE PAYABLES

An aging analysis of trade payables as at 30 June 2014 and 31 December 2013, based on the invoice date, is as follows:

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Current to 3 months	24,403	39,541
Over 3 months	5,797	–
	30,200	39,541

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

17 INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Current		
Bank loan – secured (Note b)	17,638	63,595
Bridging loan – secured (Note a)	1,637,795	1,653,460
	1,655,433	1,717,055

17 INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Movements in borrowings are analysed as follows:

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
At beginning of the period	1,717,055	–
Proceeds of new borrowings	17,638	–
Repayments of borrowings	(63,595)	–
Exchange difference	(15,665)	–
At end of the period	1,655,433	–

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\$4,639,112,000 (31 December 2013: HK\$4,621,318,000) as at 30 June 2014.

In addition, the Company's major shareholder, Zhuhai Jiuzhou Holdings Group Co., Ltd. ("ZJ Holdings"), and the Company have executed guarantees in respect of the bridging loan up to HK\$982,667,000 (31 December 2013: HK\$992,076,000).

- (b) The Company's major shareholder, ZJ Holdings, has executed a guarantee in respect of the Group's bank loan of HK\$17,638,000 (31 December 2013: HK\$63,595,000) as at 30 June 2014.
- (c) All borrowings are denominated in Renminbi with fixed interest rates.

NOTES TO CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (continued)

18 PROMISSORY NOTE

The promissory note, which was issued on 12 August 2013, 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, a subsidiary of the Group.

Movements of the promissory note are as follows:

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
At beginning of the period	711,312	–
Interest expenses	27,427	–
At end of the period	738,739	–
Less: current portion	(250,000)	–
Non-current portion	488,739	–

19 CONVERTIBLE BONDS

On 12 August 2013, the Company issued the CB 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 CB 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).

NOTES TO CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (continued)

19 CONVERTIBLE BONDS (continued)

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 CB carries interest at a rate of 5% per annum, which is payable semi-annually in arrears on 30 June and 31 December.

Analysis of the CB on the issue date is as follows:

	HK\$'000
Face value of the CB on date of issue	500,000
Add: Fair value loss upon issue	23,333
Less: Equity component	(68,777)
Transaction costs	(7,391)
	<hr/>
Liability component on initial recognition	<hr/> 447,165

The movements of the liability component of the CB are as below:

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
At beginning of the period	459,974	–
Interest expenses	38,361	–
Interest paid	(15,727)	–
	<hr/>	<hr/>
At end of the period	482,608	–

NOTES TO CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (continued)

20 LOAN FROM A MAJOR SHAREHOLDER

Movements of loan from a major shareholder are as follows:

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
At beginning of the period	373,468	–
Interest expenses	22,958	–
Exchange realignment	(3,756)	–
At end of the period	392,670	–

The loan from a major shareholder – ZJ Holdings represents unsecured loan with principal of RMB280,000,000 as at 30 June 2014 (31 December 2013: RMB280,000,000) and an interest of 13% per annum. It is repayable in August 2015.

21 ISSUED CAPITAL

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Shares		
Authorised:		
4,000,000,000 shares of HK\$0.10 each	400,000	400,000
Issued and fully paid:		
1,414,163,909 ordinary shares of HK\$0.10 each	141,416	141,416

NOTES TO CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (continued)

22 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 Warrants at the warrant issue price of HK\$0.023 per warrant to the Subscriber in 2013.

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 adjustments, at any time during the period from 25 November 2013 to 24 November 2018.

No warrants were exercised from issue date to 30 June 2014. 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. Warrants issued meet the definition of equity instrument and hence the total proceeds of HK\$690,000 were classified as warrant reserve in equity.

23 CASH AND CASH EQUIVALENTS FOR INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Cash and cash equivalents as stated in the interim consolidated statement of financial position	592,393	911,124
Less: Time deposits with original maturity of over three months	–	(8,491)
Cash and cash equivalents as stated in the interim consolidated statement of cash flows	592,393	902,633

NOTES TO CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION (continued)

24 RELATED PARTY TRANSACTIONS

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

Name	Notes	Nature	Six months ended 30 June	
			2014 HK\$'000	2013 HK\$'000
Zhuhai Jiuzhou Port Passenger Transport Station Co., Ltd. ("Jiuzhou Transport Company")	(i)	Port service fees	1,081	–
ZJ Holdings	(ii)	Rental expenses	2,614	3,442
ZJ Holdings	20	Interest expenses	22,958	–

Notes:

- (i) Jiuzhou Transport Company, a subsidiary of ZJ Holdings, received port service fees from the Group for acting as an agent for the sale of ferry tickets to passengers at the Jiuzhou Port in Zhuhai.
- (ii) The rental expenses paid to ZJ Holdings were calculated by reference to the respective tenancy agreements.

24 RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties

In addition, in 1994, Zhuhai Jiuzhou Port Passenger Traffic Service Co., Ltd. (“Jiuzhou Port Company”), a subsidiary of the Group, was granted by ZJ Holdings 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). The payment was classified as “Rights to use port facilities”. 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.

During the six months ended 30 June 2014, the amortisation of “Rights to use port facilities” of HK\$366,000 (six months ended 30 June 2013: HK\$355,000) was charged to cost of sales.

(c) Key management compensation

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Short term employee benefits	1,070	1,069
Post-employment benefits	117	94
	1,187	1,163

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

25 CONTINGENT LIABILITIES

As at 30 June 2014, the Group had no significant contingent liabilities (31 December 2013: Nil).

26 OPERATING LEASE COMMITMENTS

As at 30 June 2014 and 31 December 2013, the Group had future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Within one year	6,017	10,263
In the second to fifth years, inclusive	7,650	11,059
After five years	15,769	17,284
	29,436	38,606

27 COMMITMENTS

As at 30 June 2014, the Group had the following contracted, but not provided for, commitments:

- (a) In respect of acquisition of items of property, plant and equipment of HK\$140,205,000 (31 December 2013: HK\$26,882,000); and
- (b) In respect of construction works related to properties under development of HK\$498,687,000 (31 December 2013: HK\$15,018,000).

As at 30 June 2014, the Group had contracted for commitment in respect of investment in a subsidiary in the PRC of HK\$22,614,000 (31 December 2013: Nil).

**28 EVENTS OCCURRING AFTER THE DATE OF THE STATEMENT OF
FINANCIAL POSITION**

Pursuant to the loan agreements dated 15 July 2014 and the supplemental loan agreements dated 2 August 2014 signed between 珠海國際賽車場綜合發展有限公司 (“Zhuhai Development”) and AVIC Trust Co., Ltd. (“AVIC Trust”), AVIC Trust released a loan of RMB1,500,000,000 (the “Trust Loan”) to Zhuhai Development in August 2014. Up to 18 August 2014, Zhuhai Development has applied certain proceeds from the Trust Loan to repay all the bridging loan of RMB1,300,000,000 (approximately HK\$1,637,795,000).

MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION

Management Discussion and Analysis

Business Review

In order to meet the increasing demand for marine passenger transportation between Mainland China and Hong Kong as well as tourism and hospitality driven by the sustainable economic growth in China, Zhuhai Holdings Investment Group Limited (“the Company”) and its subsidiaries (collectively, the “Group”) successfully optimised and improved internal management system and achieved encouraging results in revenue and profit for the six months ended 30 June 2014 (the “Period Under Review”). The unaudited consolidated revenue of the Group amounted to approximately HK\$866.1 million, representing a significant increase of about 85.7% as compared to approximately HK\$466.3 million for the same period last year. Gross profit of the Group increased by 52.2% to HK\$212.7 million. The unaudited consolidated profit for the period was HK\$76.9 million, comparing to HK\$54.0 million (Restated) for the same period last year. Furthermore, the unaudited consolidated net profit attributable to ordinary equity holders of the Company was approximately HK\$33.3 million, representing an increase of approximately 17.2% as compared with HK\$28.4 million (Restated) for the same period of last year.

1. *Maritime Passenger Transportation and Related Services*

1.1 Maritime Passenger Transportation

2014 marked an important year for the transformation of Zhuhai High-Speed Passenger Ferry Co., Ltd. (“Ferry Company”) and its subsidiaries (collectively the “Ferry Group”). With the close completion of the Hong Kong-Zhuhai-Macau Bridge, the Ferry Group intensified its reform and expansion, and implemented dual development. The Ferry Group operated two major routes, while on the other hand continued to develop its maritime transportation network. During the Period Under Review, the theme of its development was to gradually transform into the maritime tourism and investment sector, and a considerable accomplishment was made in its operation and development. The Ferry Group carried out various plans focusing on multiple aspects, among which, (1) optimised the preliminary feasibility report, and planned on opening new routes; and (2) made researches on the feasibility of acquiring equity interests in shipping related enterprises.

Management Discussion and Analysis (continued)

Business Review (continued)

1. *Maritime Passenger Transportation and Related Services (continued)*

1.1 Maritime Passenger Transportation (continued)

During the Period Under Review, the passenger volume of ferry services running between Zhuhai and Hong Kong (including the Hong Kong Airport line), together with Zhuhai and Shekou operated by Ferry Company was approximately 1,073,000 and 442,000 respectively, representing an increase of approximately 5.2% and 19.5% as compared to the same period of last year. The passenger volume of various islands lines in Zhuhai was approximately 406,000, representing an increase of approximately 38.6%. The market share of passenger volume of route between Guangdong and Hong Kong operated by Ferry Company was approximately 42.8%, remaining the same as last year.

In terms of ferry passenger line expansion, in June 2014, Zhuhai S.E.Z. Haitong Shipping Co., Ltd., a subsidiary of Ferry Company, successfully obtained an operation right of a passenger ferry line travelling between Shekou, Shenzhen and Dongao Island, Zhuhai for a period of three years. Lingding Coast Hotel and Nansha Bay Hotel on Dongao Island are the key island tourism projects in Zhuhai. The launch of the new ferry line will facilitate the operation of these two hotels, which will in turn further foster the development of island tourism by enhancing the international reputation and influence of island tourism in Zhuhai.

The Ferry Group commenced into thorough brand strategy development last year, with objectives in line with the development of “Marine Tourism Investment”. With effective enhancement and expansion of its business, the Ferry Group will continue to support the development of Guangdong Province, Hong Kong and Macau, and provide these places with excellent maritime transportation services.

Management Discussion and Analysis (continued)

Business Review (continued)

1. *Maritime Passenger Transportation and Related Services (continued)*

1.2 Port Services

In respect of the port services business, operating revenue derived from the use of pier facilities business of Zhuhai Jiuzhou Port Passenger Traffic Service Co., Ltd. (“Jiuzhou Port Company”) recorded an increase of approximately 15.1% over the same period of last year, which was mainly due to an increase in number of passenger trips of the two main ferry lines running between Zhuhai and Hong Kong, together with Zhuhai and Shekou of approximately 1.7% and 15.9% respectively, as compared to the same period of last year.

In addition, numbers of advertising lease contract were expired during the Period Under Review, hence the Group selected new contractors through the public tender process according to market needs. This increased the value of advertising significantly and brought higher revenue to the Group.

The Group expanded new units in the terminal building, with a new leasing property unit added and the tenant mix optimised, among which, premises in the south pier, three berths as well as ten parking lots in the west car park were leased out to boost rental income.

Management Discussion and Analysis (continued)

Business Review (continued)

1. *Maritime Passenger Transportation and Related Services (continued)*

1.3 Tour around Macao Ferry Line

In May 2014, Zhuhai Jiuzhou Cruises Co., Ltd. (“ZJ Cruises”, an indirect non-wholly owned subsidiary of the Company) entered into a cooperation agreement with Zhuhai Haojiang Travel Agency Co., Ltd. (“Haojiang Travel Agency”). Pursuant to the cooperation agreement, Haojiang Travel Agency may purchase from ZJ Cruises tickets for two designated ferry lines travelling around Macau and between Macau and Zhuhai operated by ZJ Cruises and for food and beverage consumed on such ferry lines, all at fixed prices. By virtue of the cooperation agreement, the board of directors of the Company considers that the Group is capable of taking advantages of the market conditions by expanding the distribution channel for tickets of the designated ferry lines which are to be bundled with tours for the Chimelong Resort, hence enlarging the source of revenue for the Group. On the other hand, the newly built cruise of ZJ Cruises is in its final stage of decoration as well as machine and equipment testing, and would commence operation very soon. ZJ Cruises would also continue to play its essential role in water pier emergency connection.

Please refer to the Company’s announcement dated 29 May 2014 for details of the said cooperation agreement.

Management Discussion and Analysis (continued)

Business Review (continued)

1. *Maritime Passenger Transportation and Related Services (continued)*

1.4 Sales of Fuel

Zhuhai Jiuzhou Marine Bunker Supply Co., Ltd. (“Jiuzhou Marine Bunker”) grasped the good opportunity and adopted a strategic plan in liquidity management during the Period Under Review, raising funds for procurement at appropriate time to earn profit spreads. During the Period Under Review, the Group actively expanded its marine fuel supply business, and received excellent feedback from customers for fuel supply business by successful bidder, as well as oil quality and services. In addition, the rectification rate of Jiuzhou Marine Bunker reached 100% and was in line with the safe production standards, which in turn maintained the confidence in its fuel oil products among the market and its customers.

In the first half of 2014, the sales of Jiuzhou Marine Bunker increased by 365.8% over the same period of last year. Gross profit margin was 3.7%, representing a decrease of 2.2% over the same period of last year, which was mainly due to the increase in wholesale business with low gross profit margin. Meanwhile, Jiuzhou Marine Bunker will continue to expand its business and customer sources, while utilise its existing brands and competitive edges to seek other cooperation opportunities. Jiuzhou Marine Bunker also will commence the modification and maintenance of its oil station in a planned manner as well as improve its hardware to ensure the provision of premium services to its customers.

Management Discussion and Analysis (continued)

Business Review (continued)

2. *Hotel and Tourist Attractions Business*

2.1 Hotel Business

In the first half of 2014, the hotel industry faced a relatively harsh operation environment. Affected by the macro-environment, the number of high-end banquets has reduced, and thus imposed an increased operational pressure on the industry players. Yet, Zhuhai Holiday Resort Hotel Company Limited (“Resort Hotel”) put efficiency enhancement to its priority and improved its operational management and service quality, while effectively utilised resources to undergo modification and optimisation projects.

During the Period Under Review, the total income of Resort Hotel amounted to HK\$83.9 million, representing an increase of 4.4% from the same period of last year. The average occupancy rate of the hotel during the period was approximately 60.2%, representing a decrease of approximately 3.2% as compared to the same period of last year. The average room rate went up by approximately 4.1% when compared to the same period of last year. The income from room services rendered by the hotel during the period dropped by approximately 2.8%, while the income from catering services recorded an increase of approximately 8.2%. The hotel business recorded a segment profit of HK\$10.2 million for the six months ended 30 June 2014 (six months ended 30 June 2013: HK\$7.0 million (Restated)).

Facing the continuous change of the market, Resort Hotel adopted a more practical and effective marketing strategy. With strengthened sales network, the market share in terms of network reservation was expanded. Resort Hotel maintained good relationships with various network sales platforms and effectively increased the income from relevant sales channels. In terms of catering operation, Resort Hotel would adjust its market positioning and place greater efforts on exploring the wedding banquet market by actively maintain long term cooperation with various wedding companies.

Management Discussion and Analysis (continued)

Business Review (continued)

2. *Hotel and Tourist Attractions Business (continued)*

2.1 Hotel Business (continued)

In terms of the modification and upgrading of Resort Hotel, relevant preliminary works are being carried out. Among which, the renovation of the Star Hall (星光廳) was completed in September 2013, and was widely supported and well-received by customers. The Group will fully optimise Resort Hotel in the future, including the construction of new hotel projects, entrance modification and modification of interior landscape and roads. The renovation of exhibition centre, villas and guest rooms is also in the final stage of completion. Resort Hotel will focus on the exploration of reception of large campaigns, including the China International Aviation & Aerospace Exhibition, in the second half of the year in order to boost sales.

2.2 The New Yuanming Palace and the Fantasy Water World

During the Period Under Review, the number of visitors of the New Yuanming Palace was approximately 1,790,000. The New Yuanming Palace held variety of art and cultural events and provided a large platform for integrated art and cultural activities in the area, hence further increase awareness for the New Yuanming Palace. In addition, the community and cultural services provided by the New Yuanming Palace are becoming more sophisticated through continuous enhancement. Among which, Zhuhai Cultural Museum (珠海市文化館) was already in full operation. In the second half of the year, emphasis will be placed on the promotion of the new drama to be launched during the National Day Holiday period, and it will provide the public with quality arts and entertainment programs.

Management Discussion and Analysis (continued)

Business Review (continued)

2. *Hotel and Tourist Attractions Business (continued)*

2.2 The New Yuanming Palace and the Fantasy Water World (continued)

Fantasy Water World mainly operates for six months, which is mainly between May and October, each year. For the remaining months, it only opened partially for the operation of winter events due to low temperature. Operating results of the Period Under Review only included the operation in May and June. The number of visitors of the Fantasy Water World was approximately 92,000, representing an increase of 64.3% over the same period last year. During the period, the Fantasy Water World achieved an encouraging results and the number of visitors was recorded over 16,000 in one day, a new high for a single day since its opening. The outstanding results were driven by the commencement of services of optimised facilities and the opening of the new Cobra Water City (水城眼鏡王蛇) themed park as well as the selective promotion and marketing strategies. The Group will continuously improve the facilities and compliments for the Fantasy Water World with an aim to attract more visitors and maintain profit growth.

Management Discussion and Analysis (continued)

Business Review (continued)

3. Tourism Properties Business

3.1 Zhuhai Cuihu Property Project

Zhuhai International Circuit Consolidated Development Limited (“Zhuhai Development”) was mainly in operation following the established work target in the first half of 2014, while continued to develop a parcel of land (the “Project Land”) with an area of approximately 788,400 sq.m. situated in Xiashanduan East, Jinfeng East Road, Xiashan District of the Zhuhai Prefecture of Guangdong Province of the People’s Republic of China (the “PRC”). During the Period Under Review, Zhuhai Development is currently undergoing the major construction of demonstration villas in Lot S3. Zhuhai Development and Greentown Property Construction Management Company Limited have made continuous inspections on the property project while enhanced the respective work guidance, which has in turn effectively solved the co-ordination problems of work co-operation and personnel for projects. Zhuhai Development has started cooperation negotiations with various business units to introduce comprehensive facilities and infrastructure for the high end residential properties including healthcare, education and supermarkets.

The advertisement for Zhuhai Cuihu Property Project was launched in June 2014, and various property advertisements were placed in Jiuzhou Port, Gongbei Port and Zhuhai Airport, while a model for the project was also set up within the terminal building of Jiuzhou Port as the preliminary work for the public sales.

Management Discussion and Analysis (continued)

Business Review (continued)

3. Tourism Properties Business (continued)

3.2 Zhuhai Lakewood Golf Club

Zhuhai Lakewood Golf Club (the “Club”) is located at a parcel of land with an area of approximately 1,367,727 sq.m. situated in Xiashanduan East, Jinfeng East Road, Xiashan District of the Zhuhai Prefecture of Guangdong Province of the PRC and adjoining to the Project Land. With the efforts of all staff, the Club successfully commenced the golf course modification and ancillary property development. In the first half of the year, the Club has completed the design of the golf course, including driving range building, golf cart garage and car park, while the construction of 9 fairways has also been completed. During the Period Under Review, the Club served 19,000 golfers, and also organised various extensive golf tournaments, including Tiehan Cup (鐵漢杯) Spring Lakewood Member Invitational Tournament and Langjiu Honghualang Cup (郎酒 • 紅花郎杯) Summer Lakewood Member Invitational Tournament.

In the second half of the year, the Club will complete the construction of its new 18-hole golf course, and will commence the construction of the driving range and ancillary facilities, while further formulate the details on the joint sales of the Club’s membership and Zhuhai Cuihu Property Project.

4. Recovery of Legal Fee

During the Period Under Review, the Group partially recovered legal fee and interests, which amounted to approximately HK\$1.6 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 the earnest money paid by the Group”.

Financial Arrangement through a Trust Scheme

As disclosed in the announcement of the Company dated 15 July 2014, AVIC Trust Co., Ltd. (“AVIC Trust”), as the trustee, proposed to establish “AVIC – Tianqi No. 467 Zhuhai Cuihui Xiangshan Development Fund Raising Trust Project” (中航信託 • 天啟467號珠海翠湖香山項目集合資金信託計劃) (“Trust Scheme”) in raising funds of up to RMB1,500 million from third party investors for the purpose of providing a secured loan (“Loan”) in the maximum aggregate principal amount of RMB1,500 million. The Loan would be divided into three tranches from the funds raised from the issue of the preferential trust units under the Trust Scheme: (i) first tranche for a maximum aggregate principal amount of RMB500 million; (ii) second tranche for a maximum aggregate principal amount of RMB250 million; and (iii) third tranche for a maximum aggregate principal amount of RMB750 million (which would be divided into further sub-tranches based on the progress of the fund raising) to be provided by AVIC Trust (as trustee of the Trust Scheme) to Zhuhai Development pursuant to the loan agreements dated 15 July 2014 (“Loan Agreements”) as amended and supplemented by the supplemental loan agreements dated 2 August 2014 (“Supplemental Loan Agreements”).

Zhuhai Development proposed to apply the Loan to repay the outstanding amount under the financing agreement (“Financing Agreement”) entered into between, among others, Zhuhai Development and a financier in relation to a financing in the principal amount of RMB1,300 million as disclosed in the announcement of the Company dated 25 July 2013 and the section headed “Management Discussion and Analysis” of the 2013 annual report of the Company and for development of the Project Land.

In addition to the fund raising from third parties as holders of the preferential trust units of a maximum aggregate principal amount of RMB1,500 million, the establishment of the Trust Scheme will also be subject to the subscription of subordinated trust units of an aggregate principal amount of RMB510 million by Zhuhai Jiuzhou Corporation Management Co., Ltd. (“ZJ Corporation Management”) (being a wholly-owned subsidiary of the Company) and Zhuhai Jiuzhou Holdings Group Co., Ltd. (being a controlling shareholder of the Company).

Financial Arrangement through a Trust Scheme (continued)

On 7 August 2014 and 18 August 2014, AVIC Trust respectively advised that the aforementioned first tranche of the fund raising in the aggregate principal amount of RMB500 million and the remaining tranches in the aggregate principal amount of RMB1,000 million were completed, whereby the establishment of the Trust Scheme and drawdown of the entire Loan became unconditional. As disclosed in the announcement of the Company dated 18 August 2014, pursuant to the Loan Agreements (as supplemented and amended by the Supplemental Loan Agreements), the entire Loan in the aggregate principal amount of RMB1,500 million has been released to Zhuhai Development by AVIC Trust. The subscription by ZJ Corporation Management of the subordinated trust units pursuant to the Trust Scheme and the transactions contemplated under an equity transfer agreement dated 15 July 2014 between Lamdeal Consolidated Development Limited (“Lamdeal Development”) and AVIC Trust (as trustee of the Trust Scheme) have also been completed accordingly. Zhuhai Development applied the Loan to repay the outstanding amount under the Financing Agreement and retained the remaining amount under the Loan for development of the Project Land.

Please refer to the announcements of the Company dated 15 July 2014, 2 August 2014, 7 August 2014 and 18 August 2014 for details of the financial arrangement through a Trust Scheme.

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 to be jointly owned by the Group and the possible partner for the development and construction of the 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).

Co-operation Framework Agreement (continued)

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

Prospects

Under the support of the Central Government of the PRC, the development of Hengqin and its neighbourhood has created a significant economic effectiveness. The Group will continue to develop the maritime passenger transportation, property and tourism business in Zhuhai, and strive to carry out its mission to provide customers with excellent and multi-dimensional services. The completion of the Hong Kong-Zhuhai-Macau Bridge would foster the development of tourism in Zhuhai, and is thus beneficial to the three major businesses of the Group in Zhuhai. With extensive experiences and professional knowledge, the management team of the Group will continue to develop relevant transportation and tourism ancillary projects with an aim to enhance and consolidate its brand image.

In terms of maritime passenger transportation business, Ferry Company will strive to open new ferry lines. Riding on the extensive development in Hengqin, the passenger ferry lines from Hengqin to other ports would be launched. The Group will grab the favourite opportunities brought along by the development of the surrounding areas, and continue to conduct maritime tourism and investment. Coordinating the launch of maritime and land transportation lines between Jiuzhou Port and Hengqin, the Group will further explore the customer sources in Guangdong Province, Hong Kong and Macau.

Regarding the ticketing system, Jiuzhou Port Company will invest more resources on its secondary development, including mobile ticketing, self-service ticketing and online booking, which would provide a more convenient and rapid purchase process and enquiry service for passengers. At the same time, Jiuzhou Port Company will continue to promote all routes, in particular the advertising of "Safe and fast direct arrival to Shekou, Shenzhen in 60 minutes without traffic congestion" for Shekou route and develop the baggage services at Hong Kong International Airport.

In terms of hotel and tourism, Resort Hotel will conduct various works as planned, such as the construction of new hotel projects, modification of exhibition centre, renovation of guest rooms, modification of interior landscape as well as the renovation of roads. Meanwhile, Resort Hotel will adjust its marketing mode in a flexible manner, placing focus on network sales and conduct business expansion into conference tours, business travellers, tour groups and long-term tenants, etc.

MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION (continued)

Prospects (continued)

Zhuhai Cuihu Property Project and Zhuhai Lakewood Golf Club will become the key high end tourism and property project of the Group. The Group has extensive experiences in hotel operation and tourism business. As Zhuhai possesses regional and natural competitiveness as a popular destination in the Pearl River Delta located close to Hong Kong and Macau, the Group is confident that such high end property project and the golf club would become another highlight of the region. At the same time, the Group will continue to be aware of the development progress of Hengqin and actively strive to obtain projects in Hengqin with development potential to build a ferry port and shopping mall complex.

The Group will ride on the Central Government's support on the development of Zhuhai and Hengqin area as well as the opportunities brought along by the completion of the Hong Kong-Zhuhai-Macau Bridge, and operate and expand its three major businesses in Zhuhai. The Group is confident about providing quality transportation, property and tourism experiences for customers persistently and bringing the best return to shareholders.

Updates on disputes in respect of the 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) by the Group 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.

Prospects (continued)

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

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 for 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 was filed by the Appellants. For the year ended 31 December 2013, a total sum of approximately HK\$40.8 million was 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. During the Period Under Review, a further total sum of approximately HK\$1.6 million was received by the Company as partial payment of agreed costs and interest thereon payable by the Appellants to the Company.

The Company was informed that the Possible Vendor 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 an appeal made by the Possible Vendor was also dismissed.

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 of the Target Company as mentioned above.

Prospects (continued)

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

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. The Company has received requests from the Receivers to seek indemnity from the Company for certain liability (including costs) falling upon the Receivers in connection with the exercise of their powers under the Share Charge. As advised by the Company's legal counsel, the Receivers have yet to substantiate its demand for such indemnity from the Company, the Company therefore 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, and the Company's annual reports for 2011, 2012 and 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.

Liquidity and Financial Resources

Except for the issue by the Company of (1) a promissory note ("Promissory Note") in relation to the acquisitions of Lamdeal Development and Lamdeal Golf & Country Club Limited ("Lamdeal Golf"), (2) the convertible bonds with an aggregate value of HK\$500 million to PA Bloom Opportunity III Limited and Prominent Investment Opportunity IV Limited pursuant to a subscription agreement dated 10 April 2013 (the "Convertible Bonds"), and the financing obtained for payment of the remaining land price for the Project Land, in 2013, the Group generally finances its operations with internally generated cashflow and bank borrowings provided by its principal bankers in the PRC during the six months ended 30 June 2014.

Liquidity and Financial Resources (continued)

As disclosed in the announcement of the Company dated 15 July 2014, AVIC Trust, as the trustee, proposed to establish the Trust Scheme in raising funds of up to RMB1,500 million from third party investors for the purpose of providing the Loan in the maximum aggregate principal amount of RMB1,500 million to Zhuhai Development pursuant to the Loan Agreements as amended and supplemented by the Supplemental Loan Agreements, for purpose of repaying the outstanding amount under the Financing Agreement in the principal amount of RMB1,300 million and for development of the Project Land. For more details, please refer to the section headed “Management Discussion and Analysis — Financial Arrangement through a Trust Scheme” of this interim report.

The Group’s cash and cash equivalents as at 30 June 2014 amounted to approximately HK\$592.4 million (31 December 2013: HK\$911.1 million), of which approximately HK\$453.1 million (31 December 2013: HK\$860.4 million) were denominated in RMB and the remaining were all in Hong Kong dollars.

As at 30 June 2014, trade receivables amounted to HK\$144.0 million (31 December 2013: HK\$58.1 million). The significant increase in trade receivables was mainly due to the increase in fuel wholesale business in our maritime passenger transportation and related services segment.

In addition, the Group held securities measured at fair value through profit or loss of approximately HK\$1.4 million as at 30 June 2014 (31 December 2013: HK\$1.1 million), all of approximately HK\$1.4 million (31 December 2013: HK\$1.1 million) were denominated in Hong Kong dollars. The securities measured at fair value through profit or loss comprised some listed securities in Hong Kong.

The Group’s short-term available-for-sale investments of approximately HK\$233.1 million as at 30 June 2014 (31 December 2013: Nil), all of which approximately HK\$233.1 million (31 December 2013: Nil) were denominated in RMB. The available-for-sale investments comprised some unlisted investment funds in the PRC.

Total interest-bearing bank and other borrowings, promissory note, convertible bonds and loan from a major shareholder amounted to HK\$3,269.5 million as at 30 June 2014 (31 December 2013: HK\$3,261.8 million (Restated)).

MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION (continued)

Liquidity and Financial Resources (continued)

The Group's gearing ratio, which is net debt divided by total shareholders' equity plus net debt, raised from 0.55 (Restated) as at 31 December 2013 to 0.59 as at 30 June 2014. Net debt included interest-bearing bank and other borrowings, trade payables, accrued liabilities and other payables, construction payables, promissory note, convertible bonds, amounts due to a major shareholder and related companies and loan from a major shareholder less restricted bank balance and cash and cash equivalents.

As at 30 June 2014, the Group had a current ratio of 1.10 (31 December 2013: 0.69 (Restated)) and net current assets of HK\$246.0 million (31 December 2013: net current liabilities of HK\$759.1 million (Restated)).

As at 30 June 2014, the interest-bearing bank and other borrowings that were outstanding amounted to HK\$1,655.4 million (31 December 2013: HK\$1,717.1 million), which comprised of (1) principal amount of RMB1,300 million due in August 2014; and (2) principal amount of RMB14 million due in June 2015.

As at 30 June 2014, the aggregate outstanding amount due by the Company in form of the Promissory Note was HK\$738.7 million (31 December 2013: HK\$711.3 million). The Promissory Note comprised 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 30 June 2014, the Convertible Bonds with aggregate principal amount of HK\$500 million due in August 2018 was outstanding. During the Period Under Review, no conversion notice has been received in respect of the exercise of conversion rights attached to the Convertible Bonds.

As at 30 June 2014 and up to the date of this interim report, no warrant holder had exercised the warrants issued pursuant to the subscription agreement dated 18 November 2013.

Contingent Liabilities

As at 30 June 2014, the Group had no significant contingent liabilities (31 December 2013: Nil).

Future Plan for Material Investments or Capital Assets

As at 30 June 2014, the Group had no future plan for material investments or capital assets except for those disclosed under the heading “Management Discussion and Analysis and Other Information” as stated aforesaid.

Charges on Assets

As at 30 June 2014, land use rights of lots S1, S2 and S4 of the Project Land with an aggregate carrying value of approximately HK\$4,639.1 million (31 December 2013: HK\$4,621.3 million) included in properties under development were pledged to secure the interest-bearing loan under the Financing Agreement entered into between, among others, Zhuhai Development and a financier in relation to a financing in the principal amount of RMB1,300 million.

As at 30 June 2014, 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 Corporation Limited.

Subsequent to the end of the Period Under Review, land use rights of lots S1, S2 and S4 of the Project Land with an aggregate carrying value of approximately HK\$4,639.1 million included in properties under development, which were originally pledged to secure the loan under the Financing Agreement in the principal amount of RMB1,300 million, were released and replaced by a pledge over the land use rights of lots S3 and S5 of the Project Land (with an aggregate carrying value of approximately HK\$1,156.5 million included in properties under development). As at the date of this interim report, financing in the principal amount of RMB1,300 million has been repaid in full and the pledge over the land use rights of lots S3 and S5 of the Project Land has been released.

As at the date of this interim report, land use rights of lots S1, S2 and S4 of the Project Land with an aggregate carrying value of approximately HK\$4,639.1 million (31 December 2013: HK\$4,621.3 million) included in properties under development were pledged in favour of AVIC Trust to secure the Loan pursuant to the Loan Agreements dated 15 July 2014 as amended and supplemented by the Supplemental Loan Agreements dated 2 August 2014 entered into with AVIC Trust.

MANAGEMENT DISCUSSION AND ANALYSIS AND OTHER INFORMATION (continued)

Foreign Exchange Exposure

Most of the businesses of the Group are operated in the Mainland China, and the principal revenues and costs were denominated in RMB or Hong Kong dollars. Therefore, 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, management considers that no significant exposure to foreign exchange exists.

Capital Structure

As at 30 June 2014, the number of issued ordinary shares was 1,414,163,909 shares in aggregate and the shareholders' equity of the Group was approximately HK\$2,227.0 million.

The Company issued (1) the Convertible Bonds with the aggregate value of HK\$500 million pursuant to a subscription agreement dated 10 April 2013; (2) 225,563,909 consideration shares at the issue price of HK\$1.33 per share and in the aggregate amount of HK\$300 million pursuant to a conditional sale and purchase agreement dated 10 April 2013; (3) 70,000,000 subscription shares at the subscription price of HK\$1.52 per share pursuant to a subscription agreement dated 18 November 2013; and (4) 30,000,000 warrants at the issue price of HK\$0.023 per warrant pursuant to a subscription agreement dated 18 November 2013.

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

Material Investments Held, Significant Acquisitions and Disposals

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

Number and Remuneration of Employees

The Group had 2,404 employees as at 30 June 2014. The 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.

Directors' Rights to Acquire Shares or Debentures

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

Share Option Scheme

On 28 May 2012, the Company adopted a new share option scheme ("New Share Option Scheme") to substitute the existing share option scheme dated 26 September 2002 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"). The major terms of the New Share Option 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.

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 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.

Share Option Scheme (continued)

- (viii) Any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, which would result in the shares issued and to be issued upon the exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK\$5.0 million, is subject to prior approval from shareholders in a general meeting.

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

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

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

As at 30 June 2014 and 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 under the New Share Option Scheme as at 30 June 2014 and 31 December 2013.

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

As at 30 June 2014, 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	900,000	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 30 June 2014, none of the directors or chief executive 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 in the register pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the SFO or the Model Code.

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

As at 30 June 2014, 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)
Zhuhai Jiuzhou Holdings Group Co., Ltd. ("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)	86,798,000	–	6.14%
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%

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares (continued)

A. Long positions in ordinary shares and warrants of the Company: (continued)

- Note 1 The percentage has been compiled based on the total number of shares of the Company in issue as at 30 June 2014 (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 86,798,000 shares of the Company of which 22,896,000 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 ("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 30 June 2014 (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 ("PAILM"), 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 PAILM which in turn is 90% owned by PAGL; and
- PAGL is 99.17% owned by PAGHL.

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: (continued)

Save as disclosed above, as at 30 June 2014, 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 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period Under Review.

Corporate Governance

The Company has complied with the code provisions as set out 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") during the period from 1 January 2014 to 30 June 2014, except for the following deviations:

- (i) Code provision A.1.1 – only one regular board meeting of the Company was held in the first quarter of 2014 since the Company does not announce its quarterly results. The board of directors of the Company however held eleven board meetings during the period from 1 January 2014 to 30 June 2014; and
- (ii) Code provision A.4.1 – the Company's directors including independent non-executive directors, who may not have fixed term of office, are subject to retirement by rotation and re-election in accordance with the Company's Bye-laws.

Save as disclosed above, the Company had complied with the code provisions set out in the CG Code during the six months ended 30 June 2014.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors’ securities transactions. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2014.

Audit Committee

The Company has an audit committee for the purpose of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The audit committee comprises three independent non-executive directors of the Company. The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2014 has been reviewed by the Company’s audit committee and the Company’s auditors, PricewaterhouseCoopers.

Interim Dividend

The board of directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

Disclosures of Directors’ Updated Information Pursuant to Rule 13.51B(1) of the Listing Rules

Changes in the information of directors of the Company required to be pursuant to Rule 13.51B(1) of the Listing Rules are as follows:

- Mr. Hui Chiu Chung, as an Independent Non-Executive Director, has been appointed as an independent non-executive director of Agile Property Holdings Limited (whose shares are listed on the Stock Exchange under stock code 3383) with effect from 27 June 2014.

By Order of the Board of Directors

Chen Yuanhe

Chairman

Hong Kong, 28 August 2014