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JIUZHOU DEVELOPMENT COMPANY LIMITED

九洲發展有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 908)

(1) CONTINUING CONNECTED TRANSACTIONS; AND (2) DISCLOSURE UNDER RULE 14A.40 OF THE LISTING RULES

CONTINUING CONNECTED TRANSACTIONS

On 18 March 2011, Jiuzhou Port Company (an indirect non-wholly owned subsidiary of the Company) entered into the 2010 AM Fee Agreements and 2011-13 AM Fee Agreements with the Ferry Company (a jointly-controlled entity) for Jiuzhou Port Company acting as agent in the sale of ferry tickets to passengers and for the provision by Jiuzhou Port Company of management services for the berthing facilities at the Jiuzhou Port in Zhuhai to the Ferry Company.

As at the date of this announcement:

- (a) Jiuzhou Port Company is a company indirectly owned by the Company and JZ Tourism as to 90% and 10% respectively;
- (b) the Ferry Company is a company indirectly owned by the Company and JZ Tourism as to 49% and 51% respectively; and
- (c) JZ Tourism is a substantial shareholder of the Company.

Accordingly, both Jiuzhou Port Company and the Ferry Company are connected persons of the Company under the Listing Rules. The 2010 AM Fee Agreements and the 2011-13 AM Fee Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The AM Fees payable by the Ferry Company to Jiuzhou Port Company under the 2010 AM Fee Agreements for the financial year ended 31 December 2010 is about HK\$33.8 million, which is more than HK\$10,000,000 and the applicable percentage ratios (as prescribed under Chapter 14 of the Listing Rules) are more than 2.5% (based on the then Chapter 14A of the Listing Rules before 3 June 2010).

* *For identification purpose only*

It is currently expected that the Annual Cap in respect of the 2011-13 AM Fee Agreements will be more than HK\$10,000,000 and the applicable percentage ratios (as prescribed under Chapter 14 of the Listing Rules) are more than 5.0% (based on the prevailing Chapter 14A of the Listing Rules which has become effective on 3 June 2010). Accordingly, the 2010 AM Fee Agreements and the 2011-13 AM Fee Agreements will be subject to the reporting, announcement and Independent Shareholders' approval requirements as set out in Rules 14A.45 to 14A.54 of the Listing Rules.

Due to an inadvertent oversight by the Company, the Company failed to notice that the Independent Shareholders' approval given at the special general meeting of the Company held on 27 December 2007 regarding 2007-09 AM Fee Agreement had lapsed. The transactions as contemplated under the 2010 AM Fee Agreements constituted continuing connected transactions of the Company which were subject to the reporting, announcement, and Independent Shareholders' approval requirements under the Listing Rules. As the Company, up to the date of this announcement, has failed to comply with the said requirements under Chapter 14A of the Listing Rules regarding the 2010 AM Fee Agreements, the Company intends to seek approval and ratification of the transactions under the 2010 AM Fee Agreements by issuing this announcement to comply with the relevant requirements under the Listing Rules, and will also seek Independent Shareholders' Approval at the SGM to approve and ratify, among other matters, the 2010 AM Fee Agreements. The Board believes that the impact of such delay in disclosure is limited as the transactions under the 2010 AM Fee Agreements arose in the Group's ordinary and usual course of business, and also the 2010 AM Fee Agreements are on normal commercial terms, which terms are essentially same as those of the 2007-09 AM Fee Agreements.

A circular including, among other information, (1) a letter from the Board containing further details of the 2010 AM Fee Agreements and the 2011-13 AM Fee Agreements; (2) a letter from the Independent Board Committee to the Independent Shareholders, setting out its recommendations in connection with the continuing connected transactions as contemplated under the 2010 AM Fee Agreements and the 2011-13 AM Fee Agreements and the related expected annual capped amounts; (3) a letter from the IFA containing its advice to the independent Board committee and the Independent Shareholders, in connection with the continuing connected transactions as contemplated under the 2010 AM Fee Agreements and the 2011-13 AM Fee Agreements and the related expected annual capped amounts; and (4) the notice of SGM, will be despatched to Shareholders as soon as practicable.

DISCLOSURE UNDER RULE 14A.40 OF THE LISTING RULES

Under Rule 14A.38 of the Listing Rules, the auditors of the Company must for each financial year provide a letter to the Board, confirming (among other matters) that the continuing connected transactions have been entered into in accordance with the relevant agreement governing the transactions, and have not exceeded the cap disclosed in previous announcement(s). For the reasons as disclosed above, the auditors of the Company may not be able to give a confirmation on the above matters for the financial year ended 31 December 2010.

2010 AM FEE AGREEMENTS AND 2011-13 AM FEE AGREEMENTS

2010 AM Fee Agreements:

Date: 18 March 2011

Parties: (i) Jiuzhou Port Company, a non-wholly owned subsidiary of the Company
(ii) the Ferry Company, a jointly-controlled entity of the Company

Term: From 1 January 2010 to 31 December 2010

2011-13 AM Fee Agreements

Date: 18 March 2011

Parties: (i) Jiuzhou Port Company, a non-wholly owned subsidiary of the Company
(ii) the Ferry Company, a jointly-controlled entity of the Company

Term: From 1 January 2011 to 31 December 2013

Under the 2010 AM Fee Agreements and 2011-13 AM Fee Agreements, Jiuzhou Port Company has agreed to act as an agent of the Ferry Company for selling ferry tickets to passengers. It has also agreed to provide berthing facilities and services to the Ferry Company. In return, Jiuzhou Port Company is entitled to receive the 2010 AM Fees and 2011-13 AM Fees respectively from the Ferry Company calculated on the basis of 23.5% of the gross proceeds from the ferry tickets sold after deducting certain fees or expenses payable to Hong Kong International Airport Ferry Terminal Services Ltd, who is an Independent Third Party. The Ferry Company shall pay the AM Fees in arrears and on a monthly basis.

Under the 2010 AM Fee Agreements and 2011-13 AM Fee Agreements, Jiuzhou Port Company is required to supply electricity and fresh water to ferries owned by the Ferry Company when such ferries are berthed at Jiuzhou Port. The fees are provided to be charged with reference to the actual usage and the rates charged by the official water and electricity supply departments, plus a premium of 15%.

As disclosed in the Company's announcement dated 11 April 2000 and the Company's circular dated 21 November 2007, Jiuzhou Port Company has been providing the agency and management services to the Ferry Company under similar terms of the 2010 AM Fee Agreements and 2011-13 AM Fee Agreements. Before 2007, the Stock Exchange then granted a waiver to the Company on 13 April 2000 from strict compliance with certain requirements under the Listing Rules in relation to the connected transactions contemplated under the then existing arrangement on the condition that the

aggregate value of the agency cum management fee for each year shall not exceed 3% of the audited net assets of the Group in that year. At the special general meeting of the Company held on 27 December 2007, the 2007-09 AM Fee Agreements were approved by the Shareholders.

2010 AM FEES AND MAXIMUM AGGREGATE ANNUAL CAPS FOR THE 2011-13 AM FEES

The 2010 AM Fees amounted to about HK\$33.8 million. The expected Annual Caps in respect of the 2011-13 AM Fees are set out as follows:

For the financial year ending 31 December	Annual caps for the total AM Fees under the 2011-13 AM Fee Agreements (HK\$)
2011	39 million
2012	45 million
2013	52 million

The above annual monetary caps for each of the three financial years ending 31 December 2013 were determined by the Directors based on the historical amounts of the AM Fees paid under the 2007-09 AM Fee Agreements and the 2010 AM Fees paid or payable by the Ferry Company to Jiuzhou Port Company, the forecast appreciation of Renminbi against Hong Kong dollar, the possible increase in the price of ferry ticket and the estimated number of passengers in each of the relevant years. For the four financial years ended 31 December 2010, the AM Fee paid or payable by the Ferry Company to Jiuzhou Port Company were approximately HK\$35,563,000, HK\$38,510,000, HK\$31,441,000 and HK\$33,763,070 respectively.

REASONS FOR THE TRANSACTIONS

As at the date of this announcement, the Ferry Company operates ferry services between Zhuhai on the one part and Hong Kong International Airport, Hong Kong China Ferry Terminal, Macau Ferry Terminal and Shekou on the other part. Jiuzhou Port is the only marine passenger port in Zhuhai for ferries running the above routes. It is operated by Jiuzhou Port Company who provides similar services to ferries operated by Independent Third Parties at the same rate as that payable by the Ferry Company.

In view of the above, the Directors (excluding independent non-executive Directors whose views will be formed after obtaining the advice of the IFA) are of the opinion that:

- (a) the terms of the 2010 AM Fee Agreements and the 2011-13 AM Fee Agreements are negotiated between the parties on an arm's length basis and on normal commercial terms that are fair and reasonable;

- (b) the 2010 AM Fees and the proposed annual caps for the 2011-13 AM Fees as mentioned above are fair and reasonable; and
- (c) the transactions as contemplated under the 2010 AM Fee Agreements and the 2011-13 AM Fee Agreements were or will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole;
- (d) the terms of the 2010 AM Fee Agreements and the 2011-13 AM Fee Agreements are no less favourable to the Company than terms available from Independent Third Parties.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Company is an investment holding company. Jiuzhou Port Company is an indirect non-wholly owned subsidiary of the Company, which is principally engaged in the provision of port facilities and ticketing services in Zhuhai, the PRC.

The Ferry Company is a jointly-controlled entity of the Company which is principally engaged in the provision of ferry services between Zhuhai on the one part and Hong Kong International Airport, Hong Kong China Ferry Terminal, Macau Ferry Terminal and Shekou on the other part.

As at the date of this announcement:

- (a) Jiuzhou Port Company is a company indirectly owned by the Company and JZ Tourism as to 90% and 10% respectively;
- (b) the Ferry Company is a company indirectly owned by the Company and JZ Tourism as to 49% and 51% respectively; and
- (c) JZ Tourism is a substantial shareholder of the Company.

Accordingly, both Jiuzhou Port Company and the Ferry Company are connected persons of the Company under the Listing Rules. The 2010 AM Fee Agreements and the 2011-13 AM Fee Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The aggregate 2010 AM fees payable by the Ferry Company to Jiuzhou Port Company amounted to about HK\$33.8 million and is more than HK\$10,000,000 and the applicable ratios (as prescribed under Chapter 14 of the Listing Rules) are more than 2.5% (based on the then Chapter 14A of the Listing Rules before 3 June 2010). Due to an inadvertent oversight, the Company failed to notice that the independent shareholders' approval given at the special general meeting of the Company held on 27 December 2007 regarding 2007-09 AM Fee Agreement had lapsed. Such matter was only brought to the Company's attention during the process of auditing of the Group's financial statements for the year ended 2010. The transactions as contemplated under the 2010 AM Fee Agreements constituted continuing connected transactions of the Company which were subject to the reporting,

announcement, and independent shareholders' approval requirements under the Listing Rules. As the Company, up to the date of this announcement, has failed to comply with the said requirements under Chapter 14A of the Listing Rules regarding the 2010 AM Fee Agreements, the Company intends to seek approval and ratification of the transactions under the 2010 AM Fee Agreements by issuing this announcement to comply with the relevant requirements under the Listing Rules, and to seek Independent Shareholders' Approval at the SGM to approve and ratify, among other matters, the 2010 AM Fee Agreements. The Board believes that the impact of such delay in disclosure is limited as the transactions under the 2010 AM Fee Agreements arose in the Group's ordinary and usual course of business, and also the 2010 AM Fee Agreements are on normal commercial terms, which terms are essentially same as those of the 2007-09 AM Fee Agreements. Steps have also been taken and will be taken by the Company to strengthen its internal control to avoid occurrence of similar incidents in the future.

It is currently expected that the annual cap (as mentioned above) for each of the three financial years ending 31 December 2013 in respect of the aggregate AM Fees payable by the Ferry Company to Jiuzhou Port Company under the 2011-13 AM Fee Agreements will be more than HK\$10,000,000 and the applicable percentage ratios (as prescribed under Chapter 14 of the Listing Rules) are more than 5.0% (based on the prevailing Chapter 14A of the Listing Rules which have become effective on 3 June 2010). Accordingly, the 2011-13 AM Fee Agreements will be subject to the reporting, announcement and Independent Shareholders' approval requirements as set out in Rules 14A.45 to 14A.54 of the Listing Rules.

The Company has established an Independent Board Committee (which comprises only and all the independent non-executive Directors) to advise the Independent Shareholders as to, among other matters, whether the transactions contemplated by the 2010 AM Fee Agreements and the 2011-13 AM Fee Agreements, and the relate expected Annual Caps are fair and reasonable, in the interest of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the resolutions to be proposed at the SGM taking into account the recommendation of the IFA.

A circular including, among other information, (1) a letter from the Board containing further details of the 2010 AM Fee Agreements and the 2011-13 AM Fee Agreements; (2) a letter from the Independent Board Committee to the Independent Shareholders, setting out its recommendations in connection with the continuing connected transactions as contemplated under the 2010 AM Fee Agreements and the 2011-13 AM Fee Agreements, and the related expected Annual Caps; (3) a letter from the IFA containing its advice to the independent Board committee and the Independent Shareholders in connection with the continuing connected transactions as contemplated under the 2010 AM Fee Agreements and 2011-13 AM Fee Agreements, and the related actual/expected annual capped amounts; and (4) the notice of SGM, is planned to be despatched to Shareholders on or before 11 April 2011.

DISCLOSURE UNDER RULE 14A.40 OF THE LISTING RULES

Under Rule 14A.38 of the Listing Rules, the auditors of the Company must for each financial year provide a letter to the Board, confirming (among other matters) that the continuing connected transactions have been entered into in accordance with the relevant agreement governing the transactions, and have not exceeded the cap disclosed in previous announcement(s). For the reasons as disclosed above, the auditors of the Company may not be able to give a confirmation on the above matters for the financial year ended 31 December 2010.

DEFINITIONS

In this announcement, the following expressions shall, unless the context otherwise requires, have the following meanings:

“2007-09 AM Fees”	the AM Fees payable by the Ferry Company to Jiuzhou Port Company under the 2007-09 AM Fee Agreements
“2007-09 AM Fee Agreements”	the agency cum management fee agreements entered into between Jiuzhou Port Company and the Ferry Company as disclosed in the Company’s circular dated 21 November 2007
“2010 AM Fees”	the AM Fees payable by the Ferry Company to Jiuzhou Port Company under the 2010 AM Fee Agreements
“2010 AM Fee Agreement A”	the agency cum management fee agreement dated 18 March 2011 and entered into between the Ferry Company and Jiuzhou Port Company in relation to the ferry lines between Hong Kong (China Ferry Terminal and Macau Ferry Terminal) and Zhuhai, the PRC
“2010 AM Fee Agreement B”	the agency cum management fee agreement dated 18 March 2011 and entered into between the Ferry Company and Jiuzhou Port Company in relation to the ferry line between Shekou and Zhuhai, the PRC
“2010 AM Fee Agreement C”	the agency cum management fee agreement dated 18 March 2011 and entered into between the Ferry Company and Jiuzhou Port Company in relation to the ferry line between Hong Kong International Airport and Zhuhai, the PRC
“2010 AM Fee Agreements”	the 2010 AM Fee Agreement A, the 2010 AM Fee Agreement B, the 2010 AM Fee Agreement C

“2011-13 AM Fees”	the agency and management fee payable by the Ferry Company to Jiuzhou Port Company under the 2011-13 AM Fee Agreements
“2011-13 AM Fee Agreement A”	the agency cum management fee agreement dated 18 March 2011 and entered into between the Ferry Company and Jiuzhou Port Company in relation to the ferry lines between Hong Kong (China Ferry Terminal and Macau Ferry Terminal) and Zhuhai, the PRC
“2011-13 AM Fee Agreement B”	the agency cum management fee agreement dated 18 March 2011 and entered into between the Ferry Company and Jiuzhou Port Company in relation to the ferry line between Shekou and Zhuhai, the PRC
“2011-13 AM Fee Agreement C”	the agency cum management fee agreement dated 18 March 2011 and entered into between the Ferry Company and Jiuzhou Port Company in relation to the ferry line between Hong Kong International Airport and Zhuhai, the PRC
“2011-13 AM Fee Agreements”	the 2011-13 AM Fee Agreement A, the 2011-13 AM Fee Agreement B, the 2011-13 AM Fee Agreement C
“AM Fees”	agency cum management fees payable under the 2007-09 AM Fee Agreements, 2010 AM Fee Agreements or the 2011-13 AM Fee Agreements (as the case may be)
“Annual Cap(s)”	the annual cap(s) for the transactions contemplated under the 2011-13 AM Fee Agreements for each of the three financial years ending 31 December 2013
“Director(s)”	the director(s) of the Company
“Ferry Company”	Zhuhai High-speed Passenger Ferry Co., Ltd. a jointly-controlled entity of the Company incorporated as a sino-foreign equity joint venture enterprise under the PRC law
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“IFA”	the independent financial adviser appointed or to be appointed by the Board and approved by the Independent Board Committee

“Independent Board Committee”	the committee of the Board to be established for the purpose of advising the Independent Shareholders on the continuing connected transactions as contemplated under the 2010 AM Fee Agreements and the 2011-13 AM Fee Agreements, and the related expected Annual Caps, whose members will include all the independent non-executive Directors, namely Messrs. Hui Chiu Chung, Chu Yu Lin, David and Albert Ho
“Independent Shareholder”	any shareholder of the Company who is not required to abstain from voting at a general meeting, if necessary, to approve a connected transaction
“Independent Third Party (ies)”	third party(ies) who and whose ultimate beneficial owners are third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company
“Jiuzhou Port Company”	Zhuhai Jiuzhou Port Passenger Traffic Services Co., Ltd. a non-wholly owned subsidiary of the Company incorporated as a sino-foreign equity joint venture enterprise under the PRC law
“JZ Tourism”	Zhuhai Jiuzhou Tourism Group Co., Ltd. (formerly known as Zhuhzi Jiuzhou Port Group Corporation), a State-owned enterprise established in the PRC and a substantial shareholder of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China and, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“SGM”	the special general meeting proposed to held by the Company for the purpose of considering and (if thought fit) approving, among other matters, the 2010 AM Fee Agreements and the 2011-13 AM Fee Agreements and the transactions contemplated thereby, the related expected Annual Caps

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent.

By order of the board of Directors of
Jiuzhou Development Company Limited
Chen Yuanhe
Chairman

Hong Kong, 18 March 2011

As at the date of this announcement, the Board of Directors of the Company comprises Messrs. Chen Yuanhe, Gu Zengcai, Huang Xin, Mo Nenglin, Lan Zhongdang, Ye Yuhong, and Li Wenjun as executive directors; Mr Liang Han as non-executive director; and Messrs. Hui Chiu Chung, Chu Yu Lin, David and Albert Ho as independent non-executive directors.