JIUZHOU DEVELOPMENT COMPANY LIMITED
九洲發展有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 908)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

FINAL RESULTS

The Board of Directors of Jiuzhou Development Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008, together with the comparative figures for the year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000*
REVENUE	5	**324,137**	299,392
Cost of sales		**(256,987)**	(230,023)
Gross profit		**67,150**	69,369
Other income and gains, net	5	**37,691**	58,858
Selling and distribution costs		**(5,787)**	(6,870)
Administrative expenses		**(69,613)**	(60,847)
Other operating expenses, net		**(2,988)**	(5,751)
Impairment of an available-for-sale investment		**(23,906)**	—
Share of profits and losses of a jointly-controlled entity		**23,975**	36,729
PROFIT BEFORE TAX	6	**26,522**	91,488
Tax	7	**(11,740)**	(9,498)
PROFIT FOR THE YEAR		**14,782**	81,990

* *For identification purpose only*

	Notes	**2008**	2007
		HK$'000	*HK$'000*
Attributable to:			
Equity holders of the Company		**12,374**	79,405
Minority interests		**2,408**	2,585
		14,782	81,990
PROPOSED DIVIDEND	*8*	**—**	22,372
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic		**HK1.11 cents**	HK7.12 cents
Diluted		**N/A**	HK7.11 cents

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	**2008** HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**424,771**	392,807
Prepaid land lease payments		**187,161**	191,524
Rights to use port facilities		**20,379**	19,944
Intangible asset		**6,247**	5,883
Interest in a jointly-controlled entity		**110,393**	120,739
Interest in an associate		**—**	—
Available-for-sale investments		**6,509**	17,474
Prepayments and deposits		**124,732**	88,044
Total non-current assets		**880,192**	836,415
CURRENT ASSETS			
Securities measured at fair value through profit or loss		**3,677**	128,024
Inventories		**3,206**	2,651
Trade receivables	*10*	**35,622**	28,852
Prepayments, deposits and other receivables		**15,177**	19,621
Due from a jointly-controlled entity		**2,929**	476
Cash and cash equivalents		**477,175**	345,083
Total current assets		**537,786**	524,707
CURRENT LIABILITIES			
Trade payables	*11*	**18,192**	19,377
Accrued liabilities and other payables		**85,091**	76,433
Construction payables		**5,449**	4,322
Tax payable		**11,788**	15,236
Due to related companies		**1,206**	801
Total current liabilities		**121,726**	116,169
NET CURRENT ASSETS		**416,060**	408,538
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,296,252**	1,244,953

	Notes	**2008** ***HK$'000***	2007 *HK$'000*
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**15,069**	12,446
Net assets		**1,281,183**	1,232,507
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		**111,860**	111,860
Reserves		**1,155,448**	1,087,475
Proposed dividend	*8*	**—**	22,372
		1,267,308	1,221,707
Minority interests		**13,875**	10,800
Total equity		**1,281,183**	1,232,507

NOTES

1. Modified Auditors' Report and Basis of Presentation

Without qualifying their opinion, the auditors draw attention to the adoption of the going concern basis on which the financial statements of the Group have been prepared. Liquidators (the "Liquidators") were appointed for a shareholder of the Company (the "Major Shareholder"), holding indirectly 337 million shares of the Company, and provisional liquidators (the "Provisional Liquidators") were appointed for another shareholder of the Company (the "Registered Shareholder"), which is a wholly-owned subsidiary of the Major Shareholder and directly holds the aforesaid 337 million shares in the Company, pursuant to various winding-up orders.

The above 337 million shares (the "Pledged Shares") held by the Registered Shareholder were charged in prior years in favour of a wholly-owned subsidiary (the "Chargee") of another substantial shareholder of the Company, and a dispute has arisen between the Chargee and the Provisional Liquidators over the proposed transfer of such shares.

Any changes in the registered holders of the Pledged Shares may result in a change in the composition of the board of directors of the Company.

The financial statements have been prepared on a going concern basis, the validity of which depends upon the fulfilment of the conditions of the conditional settlement agreement concerning the Pledged Shares entered into by, among other parties, the Major Shareholder, the Registered Shareholder, the Chargee, the Liquidators and the Provisional Liquidators on 5 August 2006 (the "Settlement Agreement"). The fulfilment of the Settlement Agreement is in turn subject to the completion of the debt restructuring agreement entered into by, among other parties, the Major Shareholder, the Liquidators and the Provisional Liquidators on 5 August 2006 (the "Debt Restructuring Agreement"). The financial statements do not include any adjustments that may be necessary should the conditions of the Settlement Agreement and the Debt Restructuring Agreement not be fulfilled, and should there be any direct consequence of any decisions that may be subsequently taken by the bankers, creditors, the Liquidators and/or the Provisional Liquidators over the future direction of the business and financial operations of the Group, the Group's ability to continue to operate as a going concern may be affected.

2. Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain buildings and investments, which have been measured at fair value. The financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand, except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2008. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

3. Impact of new and revised Hong Kong Financial Reporting Standards

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

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures — Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 — Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

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

4. Segment Information

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in the People's Republic of China (the "PRC"), and over 90% of the Group's assets are located in the PRC.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

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

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

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

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

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

	Hotel		Tourist attraction		Provision of port facilities and ticketing services		Corporate and others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**203,844**	188,811	**64,228**	57,658	**56,065**	52,923	**—**	—	**324,137**	299,392
Segment results	**(2,186)**	10,607	**559**	5,196	**27,955**	29,951	**(26,752)**	3,331	**(424)**	49,085
Interest income									**2,971**	5,674
Share of profits and losses of a jointly-controlled entity	**—**	—	**—**	—	**23,975**	36,729	**—**	—	**23,975**	36,729
Profit before tax									**26,522**	91,488
Tax									**(11,740)**	(9,498)
Profit for the year									**14,782**	81,990

	Hotel		Tourist attraction		Provision of port facilities and ticketing services		Corporate and others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Assets and liabilities:										
Segment assets	**478,757**	407,320	**491,140**	414,702	**147,517**	108,851	**189,901**	309,510	**1,307,585**	1,240,383
Interest in a jointly-controlled entity	**—**	—	**—**	—	**110,393**	120,739	**—**	—	**110,393**	120,739
Total assets									**1,417,978**	1,361,122
Segment liabilities	**61,984**	58,270	**16,346**	14,422	**29,083**	25,547	**2,525**	2,694	**109,938**	100,933
Unallocated liabilities									**26,857**	27,682
Total liabilities									**136,795**	128,615
Other segment information:										
Depreciation and amortisation	**14,590**	12,458	**22,715**	23,798	**3,225**	2,260	**329**	507	**40,859**	39,023
Capital expenditure	**32,148**	10,234	**7,939**	3,936	**14,110**	5,717	**136**	48	**54,333**	19,935
Net fair value losses/(gains) on securities measured at fair value through profit or loss	**—**	—	**—**	—	**—**	—	**7,602**	(4,959)	**7,602**	(4,959)
Impairment of golf club memberships	**—**	2,565	**—**	—	**—**	—	**—**	—	**—**	2,565
Impairment of trade and other receivables, net	**27**	162	**—**	2,715	**(5)**	(40)	**—**	—	**22**	2,837
Impairment of an available-for-sale investment	**—**	—	**—**	—	**—**	—	**23,906**	—	**23,906**	—

5. Revenue and Other Income and Gains, Net

Revenue, which is also the Group's turnover, represents proceeds from the provision of services, sale of goods, tickets, food and beverages, and the provision of port facilities and ticketing services, less sales tax and after trade discounts and returns, during the year.

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

	2008	2007
	HK$'000	*HK$'000*
Revenue		
Sale of goods and provision of services	**324,137**	299,392
Other income and gains, net		
Interest income	**2,971**	5,674
Net fair value gains/(losses) on securities measured at fair value through profit or loss	**(7,602)**	4,959
Gains on disposal of securities measured at fair value through profit or loss	**14,668**	23,582
Dividend income from listed equity investments	**798**	583
Gross rental income	**10,985**	10,142
Foreign exchange differences, net	**14,206**	12,496
Others	**1,665**	1,422
	37,691	58,858
	361,828	358,250

6. Profit Before Tax

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

	2008	2007
	HK$'000	*HK$'000*
Cost of inventories sold	**37,947**	30,306
Cost of services provided*	**219,040**	199,717
Depreciation	**32,770**	31,203
Amortisation of prepaid land lease payments	**7,298**	7,166
Amortisation of rights to use port facilities	**791**	654
Minimum lease payments under operating leases in respect of land and buildings	**16,815**	14,511
Auditors' remuneration	**1,200**	1,200
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	**66,676**	59,433
Pension scheme contributions**	**5,270**	2,920
	71,946	62,353
Loss on disposal and write-off of items of property, plant and equipment***	**4,414**	103
Net fair value losses/(gains) on securities measured at fair value through profit or loss	**7,602**	(4,959)
Gain on disposal of securities measured at fair value through profit or loss	**(14,668)**	(23,582)
Impairment of golf club memberships***	**—**	2,565
Impairment of trade receivables, net	**22**	122
Impairment of other receivables***	**—**	2,715
Foreign exchange differences, net	**(14,206)**	(12,496)
Impairment of an available-for-sale investment	**23,906**	—

* Cost of services provided includes HK$96,581,000 (2007: HK$87,072,000) in respect of employee benefit expenses, depreciation of property, plant and equipment, amortisation of prepaid land lease payments, amortisation of rights to use port facilities and minimum lease payments under operating leases in respect of land and buildings, of which the respective total amounts are also disclosed separately above.

** At 31 December 2008, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2007: Nil).

*** These items are included in "Other operating expenses, net" and "Cost of sales" on the face of the consolidated income statement.

7. Tax

Hong Kong profits tax had not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2007: Nil). The Group's subsidiaries established in the PRC are subject to a PRC income tax rate of 18% (2007: 15%).

	Group	
	2008	2007
	HK$'000	*HK$'000*
Group:		
Current		
— Hong Kong	**—**	—
— PRC	**6,640**	9,498
Deferred	**5,100**	—
Total tax charge for the year	**11,740**	9,498

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the tax jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Profit before tax	**26,522**	91,488
Tax at the statutory tax rates	**9,300**	29,911
Lower tax rates for specific provinces or enacted by local authority	**(4,054)**	(16,142)
Profits and losses attributable to a jointly-controlled entity	**(4,316)**	(5,510)
Income not subject to tax	**(3,286)**	(3,657)
Expenses not deductible for tax	**6,801**	2,677
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries and a jointly-controlled entity	**5,100**	—
Tax losses not recognised	**2,195**	2,219
Tax charge at the Group's effective tax rate	**11,740**	9,498

The share of tax attributable to a jointly-controlled entity amounting to approximately HK$5,355,000 (2007: HK$7,853,000) is included in "Share of profits and losses of a jointly-controlled entity" on the face of the consolidated income statement. There was no profits tax attributable to the associate of the Group as the associate did not generate any assessable profits during the year (2007: Nil).

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and became effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%.

Pursuant to the Notice on the Implementation Rules for Grandfathering Relief under the New Corporate Income Tax Law issued by The State Council of the PRC on 26 December 2007, effective from 1 January 2008, the existing preferential income tax rate of 15% pertaining to the Group's subsidiaries operated in the PRC will gradually transit to applicable tax rate of 25%. The existing preferential tax rate applicable to the Group subsidiaries for the year was 18% (2007: 15%)

8. Dividend

The directors resolved not to declare any dividend for the year ended 31 December 2008 (2007: final dividend of HK2 cents per ordinary share, totalling approximately HK$22,372,000).

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of approximately HK$12,374,000 (2007: HK$79,405,000) and the number of ordinary shares in issue during the year of 1,118,600,000 (2007: weighted average number of 1,115,428,548).

A diluted earnings per share amount for the year ended 31 December 2008 has not been dislosed as no diluting events existed during the year.

During the year ended 31 December 2007, the calculation of diluted earnings per share was based on the profit for the year attributable to ordinary equity holders of the Company of approximately HK$79,405,000. The weighted average number of ordinary shares of 1,116,969,581 used in the calculation was the weighted average number of ordinary shares in issue during that year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all warrants of 1,541,033 during that year.

10. Trade Receivables

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

An aged analysis of the trade receivables at the balance sheet date, net of impairment allowance and based on the invoice date, is as follow:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Current to 3 months	**13,342**	13,338
4 to 6 months	**3,451**	3,741
7 to 12 months	**13,958**	8,286
Over 12 months	**4,871**	3,487
	35,622	28,852

11. Trade Payables

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Current to 3 months	**14,103**	13,058
4 to 6 months	**688**	406
7 to 12 months	**1,014**	2,611
Over 12 months	**2,387**	3,302
	18,192	19,377

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

1. Marine passenger transportation and port business

For marine passenger transportation business, the weather in Zhuhai was extremely unstable during the year and the number of available scheduled ferry was reduced due to typhoons and rainstorms. In particular, the outbreak of the financial tsunami at the end of the second half of the year impacted tourists' desire to travel and resulted in a slump in the number of passengers. However, as the ferry lines between Zhuhai and Hong Kong Airport that opened up in the second half of last year were included during the year, the overall decrease in the number of ferry passenger between Zhuhai and Hong Kong was not significant. During the year, the volume of passenger trips between Zhuhai and Hong Kong, and Zhuhai and Shedou operated by Zhuhai High-Speed Passenger Ferry Co., Ltd. (the "Ferry Company") was approximately 1,785,000 and 565,000 respectively, representing a decrease of approximately 2% and 8% respectively compared with last year. During the year, other ferry lines between Guangdong and Hong Kong experienced greater decreases in the passenger number than the lines operated by the Ferry Company, as a result, the share of the volume of ferry passenger trips between Guandong and Hong Kong as operated by the Ferry Company increased to approximately 41%. On the other hand, the significant increase in the operating costs as a result of soaring fuel price has jeopardised the operating profits of the Ferry Company. In respect of port business, although the general passenger volume was lower than the previous year, Zhuhai Jiuzhou Port Passenger Transport Service Co., Ltd. ("Jiuzhou Port Passenger Transport Company") only recorded a slight decrease in the results of its ticket agency and the pier facilities businesses as compared with the last year, under the appropriate cost control measures implemented by the management.

2. Hotel business

During the year, the average occupancy rate of our hotels dropped to approximately 59%, representing a decrease of approximately 3% as compared with the last year. This was mainly due to the significant drop in the number of days for "May 1 Golden Holidays", and the Wenchuan earthquake which resulted in cancellation of large scale campaigns. All these factors resulted in a decrease in the number of tourists. The performance of travel agency business operated by our hotels experienced a downturn given the above reasons and the restriction on travelling to Macau imposed by the PRC government on Mainland residents. However, the operating profits generated from the catering and sale of food business operated by our hotels has sustained steady growth as the volume of business from banquets and government receptions continued to rise.

3. The New Yuanming Palace and the Fantasy Water World

During the year, the number of visitors of the New Yuanming Palace was approximately 675,000, representing a decrease of approximately 12% as compared with the last year. Such a decrease was mainly due to maintenance work implemented in the New Yuanming Palace and the continuous rainfall in mainland China, in addition to the snowstorm at the beginning of year and the earthquake in Sichuan in the middle of the year, which resulted in a significant drop in the number of visitors. During the year, the number of visitors of the Fantasy Water World was approximately 316,000, representing an increase of approximately 36% over the last year. This was mainly due to the newly launched "Lost City Adventure" item and the gradual opening of winter operation items, coupled with promotional campaigns in cooperation with large corporations, that have opened up more customer sources.

4. Other

During the year, the feeble financial markets in Mainland China and Hong Kong, the tightening in credit as well as the lack of investors' confidence have resulted in the continuous downward movement of the stock market, leading to a total net income on gain on disposal of less net fair value losses on securities measured at fair value through profit or loss was only approximately HK$7,066,000 for the year, while the total gain exceeded HK$28,541,000 in last year due to a bullish stock market. On the other hand, as the interest rate decreased continuously, the interest income of the year decreased by approximately HK$2,703,000 as compared to the previous year.

In addition, since the Hong Kong stock market experienced an unforeseen significant decline during the year, the Company made a provision for impairment of approximately HK$23,906,000 for an available-for-sale investment acquired in the middle of last year. However, the Group did not invest in any financial derivative products.

Prospects

It is expected that adverse factors of the turmoil in the financial market, the slowdown in the global economy and uncertainties in market prospects will continue in the coming year. The Group will continue to focus on consolidating and enhancing its existing businesses, strengthening cost control and risk management, and exploring new business and customer sources actively.

As to the marine passenger transportation and port business sector, Jiuzhou Port Passenger Transport Company has commenced the improvement project of the Jiuzhou Port Pier Passenger Transport Building in full speed. The improvement and renovation works are anticipated to complete this year, which will subsequently increase the tourists' spending amounts in the Passenger Transport Building and enhance the competitiveness of the port. Building on the geographical advantages of the Jiuzhou Port and the management strengths of the Ferry Company, the Company will look for external cooperation and internal expansion to aggressively explore the marine passenger transport market for the lines between Guangdong, Hong Kong and Macau to construct a "marine triangle transport circle" between Hong Kong, Jiuzhou Port and Macau. Meanwhile, by strengthening the exploration efforts in linking up the sea and land transports, Jiuzhou Port will become one of the transportation and tourism hubs in the western Guangdong.

In September 2008, Shenzhen Airport High-Speed Passenger Transport Co., Ltd was established by joint-investment of the Ferry Company, Shenzhen Airport Port Co., Ltd. and Guangdong Chu Kong Shipping Co., Ltd. in which the Ferry Company holds 40% equity of the joint venture. The joint venture is committed to developing the marine high-speed passenger transport lines (including but not limited to the Shenzhen airport passenger port among Hong Kong, Macau and the mainland) and other relevant business.

On 27 August 2008, the Company entered into a letter of intent (as amended and supplemented by a supplementary letter of intent which was issued on 10 September 2008) (the "Letter of Intent") with an individual (the "Possible Vendor") who was an independent third party in relation to the possible acquisition of 80% of the total issued share capital in a Hong Kong company (the "Target Company"). The Letter of Intent took effect on 10 September 2008.

The Target Company owns a wholly owned foreign enterprise established in the PRC. The enterprise is primarily engaged in the operation and management of a golf club, gun club, hunting area, hotel and sport training center in Zhuhai.

Pursuant to the Letter of Intent, an amount of Hong Kong dollars (equivalent to a total of RMB26 million) was paid by the Company to the Possible Vendor as earnest money in respect of the Company's proposed acquisition of the Target Company. The Possible Vendor has agreed to grant an exclusive right of negotiation to the Company from the date of the Letter of Intent to its expiry. The payment of earnest money was secured by, among others, certain pledge given by the Possible Vendor over certain shares of the Target Company.

Should the parties have entered into a formal agreement for the proposed acquisition, as agreed by both parties under the Letter of Intent, the indicative price for the acquisition of 80% of the total issued share capital of the Target Company will not exceed RMB200 million and the consideration will be paid in cash or partly in cash and partly by the shares of the Company (Please refer to the announcement of the Company dated 10 September 2008 for details).

The Company is still in the process of final due diligence on the legal, financial, accounting and business aspects of the Target Company and negotiating the sale and purchase terms with the Possible Vendor. The parties have not entered into any formal agreement as at the date of the approval of these financial statements.

On 29 December 2006, the Group entered into a conditional sale and purchase agreement ("Land Agreement") with the Zhuhai Guoyuan Investment Company Limited ("Zhuhai Guoyuan") for the acquisition of several parcels of land leased to the Group where certain building structures of the Hotel Business were erected ("Hotel Land") for an aggregate cash consideration of RMB90,900,000 (equivalent to approximately HK$103,100,000). A refundable deposit of RMB78,000,000 (equivalent to approximately HK$88,400,000) has been paid to Zhuhai Guoyuan by the Group.

Pursuant to the Land Agreement, the acquisition of the Hotel Land is conditional upon the completion of a debt restructuring agreement. In case the aforesaid land acquisition is not completed on 16 April 2008 or any such later dates agreed by the parties, the Group has the right to terminate the transaction and demand Zhuhai Guoyuan to return all the deposits, together with the interests calculated at the prevailing PRC bank borrowing rates from 29 December 2006.

The Group entered into three extension agreements with Zhuhai Guoyuan on 18 March 2008, 10 October 2008 and 2 April 2009 respectively to extend the long stop date of the Land Agreement from 16 April 2008 to 16 October 2008, 16 April 2009 and 16 October 2009 respectively. This was mainly because more time was required to obtain an order from the court of Macau to permanently stay the winding-up order or approve the debt restructuring or settlement of Zhu Kuan Group Company Limited ("Zhu Kuan Macau") (being a condition precedent to the complement of the Land Agreement).

As disclosed in the 2007 annual report of the Company and pursuant to the announcement dated 30 April 2008, on 5 August 2006, (1) the Debt Restructuring Agreement was made between, among other parties, Zhu Kuan Group Company Limited ("Zhu Kuan Macau"), Zhu Kuan (Hong Kong) Company Limited ("Zhu Kuan HK"), the liquidators and Zhuhai Guoyuan Investment Company Limited; and (2) the Settlement Agreement was made between, among other parties, Zhu Kuan Macau, Pioneer Investment Ventures Limited, Longway Services Group Limited and the liquidators. The Debt Restructuring Agreement shall be completed within 18 months from the date of the execution of the agreement (i.e. shall be completed on or before 16 April 2008), while the Settlement Agreement was conditional on the completion of the Debt Restructuring Agreement.

The Debt Restructuring Proposal has been progressing steadily in accordance with the Debt Restructuring Agreement. In November 2007, the High Court of Hong Kong granted a permanent stay on the proceedings of liquidations on the Zhu Kuan Macau and Zhu Kuan HK (please refer to the announcement of the Company of 7 November 2007 for details).

As recently acknowledged by the Company, as more time was required to fulfill the condition precedents of the Debt Restructuring Agreement, the parties have agreed to further extend the long stop date of the Debt Restructuring Agreement to 30 April 2009.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers in Mainland China (the "PRC"). As at 31 December 2008, the Group has no outstanding banking borrowings (31 December 2007: Nil). The Group's cash and bank balances and short term bank deposits as at 31 December 2008 amounted to approximately HK$477.2 million (31 December 2007: HK$345.1 million), of which approximately HK$450.6 million (31 December 2007: HK$300.2 million) were denominated in Renminbi ("RMB") and the remaining were all in Hong Kong dollars. In addition, the Group held short term investments in financial instruments of approximately HK$3.7 million as at 31 December 2008 (31 December 2007: HK$128 million), of which approximately HK$0.2 million (31 December 2007: HK$116.9 million) were denominated in RMB. The short term financial instruments comprised mainly investment in certain short term investment funds in the PRC and some listed securities in Hong Kong with a view to enhance the Group's return on the surplus working capital. Since the Group has no outstanding banking borrowings as at 31 December 2008 and 31 December 2007 respectively, and based on the total bank borrowings in relation to shareholders' fund, the Group's gearing ratio as at 31 December 2008 and 31 December 2007 respectively was zero.

Number and Remuneration of Employees

At the year end, the Group had approximately 1,548 employees. Remuneration of employees is determined and reviewed annually with reference to the market standard, individual performance and working experience, and certain staff is entitled to commission and share options. In addition to the basic salaries, the Group also provides, depending on the results of the Group and individual performance, staff benefits including discretionary bonus, contributory provident fund or mandatory provident fund, and professional tuition/training subsidies in order to retain quality employees.

Contingent Liabilities

As at 31 December 2008, the Group had no significant contingent liabilities.

Future Plans for Material Investments or Capital Assets

As at 31 December 2008, the Group had no future plans for material investments or capital assets, saved for those disclosed under the heading "Management Discussion and Analysis — Prospects".

Foreign Exchange Exposure

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

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

Capital Structure

As at 31 December 2008, the number of issued ordinary shares was 1,118,600,000 shares in aggregate and the shareholders' equity of the Group was approximately HK$1,267 million.

Material Investments Held, Significant Acquisitions and Disposals

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

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 Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code of conduct regarding directors' securities transactions. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the year ended 31 December 2008.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the latest corporate governance report (the "CG Report") which was published in our 2007 Annual Report dated 21 April 2008, it was reported that the Company had complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules save for the following:

Under Code Provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. The Company has deviated from this provision in that the Company's non-executive director and independent non-executive directors are not appointed for a specific term, but are subject to retirement by rotation once every three years and any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment pursuant to 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 year ended 31 December 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 25 May 2009 to Friday, 29 May 2009 (both days inclusive), during which period no transfer of shares will be registered. In order to ascertain the right to attend the Company's forthcoming annual general meeting, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Branch Share Registrar, Tricor Tengis Limited at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 22 May 2009.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The audit committee comprises the three independent non-executive directors and the non-executive director of the Company. The final results of the Company for the year ended 31 December 2008 has been reviewed by the audit committee.

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2008 annual report will be published on the Stock Exchange's website at http://www.hkexnews.hk and the Company's website at www.0908.hk as soon as possible and despatched to the shareholders on or before 30 April 2009.

By Order of the Board
Zhu Lifu
Chairman

Hong Kong, 17 April 2009

As at the date of this announcement, the Board of the Company consists of Mr. Zhu Lifu, Mr. Gu Zengcai, Mr. Huang Xin, Mr. Jin Tao and Mr. Wu Hanqiu as Executive Directors, Mr. Liang Han as Non-Executive Director, and Mr. Hui Chiu Chung, Stephen, Mr. Chu Yu Lin, David and Mr. Albert Ho as Independent Non-Executive Directors.