



DIRECTORS' REPORT

The board of directors (the "Directors") of China Golden Development Holdings Limited (the "Company") have the pleasure of presenting their report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 30 June 2004 (the "year").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in cruise and cruise-related business.

No analysis by principal activities and geographical markets of the Group's turnover and contribution to operating profit for the year is provided as the Group has only one business segment, cruise and cruise-related business, and the consolidated turnover and results of the Group are attributable to a single voyage from Haikou in Hainan, the PRC, via Beihai in Guangxi, the PRC, to Halong Bay in Vietnam.

RESULTS AND DIVIDENDS

Details of the Group's results for the year ended 30 June 2004 are set out in the consolidated income statement on page 17 of this annual report.

The Directors do not recommend the payment of a dividend and recommend that the profit attributable to shareholders of approximately HK\$22.8 million for the year ended 30 June 2004 be retained in reserves.

SEGMENT INFORMATION

The Group's segment information is set out in note 5 to the accompanying financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2004, the five largest customers accounted for approximately 78.2% (2003: 82.3%) of the Group's total turnover and the five largest suppliers of the Group accounted for approximately 80.7% (2003: 90.2%) of the Group's total purchases. The largest customer to the Group accounted for approximately 63.6% (2003: 68.8%) of the Group's total turnover while the largest supplier accounted for approximately 74.6% (2003: 76.6%) of the Group's total purchases.

None of the directors, their associates, or any shareholders (which, to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest major customers and suppliers.

FINANCIAL SUMMARY

A summary of the Group's financial information for the last five financial years is set out on pages 47 to 48 of this annual report.



DIRECTORS' REPORT

SHARE CAPITAL

There was no change in the issued share capital of the Company during the year ended 30 June 2004.

SHARE OPTION

Details of movements in share options of the Company are set out in note 28 to the accompanying financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in note 29 to the accompanying financial statements.

As at 30 June 2004, the Company's reserves of approximately HK\$29,604,000 (2003: HK\$34,187,000) (subject to provisions under the Companies Act 1981 of Bermuda, as amended) were available for distribution to the Company's shareholders. In addition, the share premium of the Company, in the amount of approximately HK\$43,973,000 (2003: HK\$43,973,000), may be distributed in form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and the laws in Bermuda.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 14 to the accompanying financial statements.

FIXED ASSETS

Details of movements in fixed assets during the year are set out in note 13 to the accompanying financial statements.

BANK BORROWINGS

As at 30 June 2004, the Group had no outstanding bank borrowings.

RETIREMENT BENEFITS

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). The MPF Scheme is a defined contribution scheme managed by an independent trustee. Under the MPF scheme, each of the Group and its employees make monthly contribution to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the employer's and the employee's contribution are subject to a cap of monthly earnings of HK\$20,000 and thereafter contributions are voluntary.

As stipulated by the rules and regulations in PRC, the Group contributes to a state-sponsored retirement plans for its employees in PRC. The Group contributes to retirement plans at specified percentages of the basic salaries of its employees, and has no further obligations for the actual payment of pensions or post-retirement benefits. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.



DIRECTORS' REPORT

CONNECTED TRANSACTIONS

The related party transactions of the Group are disclosed in note 4 to the accompanying financial statements. There were no connected transactions which were discloseable under Chapter 14A of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors who held office during the year and up to the date of this reports are:

Executive directors

Mr. Wu Yijian (*Chairman*)

Mr. Sean Liu

Mr. Mo Keung

Mr. Chan Wing Yau George (appointed on 23 February 2004)

Mr. Qin Chuan

Mr. Xu Kai

Independent non-executive directors

Mr. Paul Zhong

Mr. Hu Yangxiong

Mr. Chan Wai Kwong Peter (appointed on 24 September 2004)

Mr. Kwok Wing Wah (appointed on 24 September 2004)

In accordance with the Bye-laws of the Company, Mr. Chan Wing Yau George, Mr. Qin Chuan, Mr. Xu Kai, Mr. Chan Wai Kwong Peter and Mr. Kwok Wing Wah will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company. The remaining directors continue in office.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation other than the statutory compensation.



DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2004, the interests and short positions of the directors and chief executives of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which were required to be entered into the register required to be kept under section 352 of the SFO or otherwise were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and/or the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules (the "Model Code"), were as follows:

Aggregate long position in shares of HK\$0.10 each ("Shares") of the Company and the underlying Shares:

Name of director	Nature of interest	Number of Shares held	Percentage of the issued share capital of the Company
Mr. Sean Liu	Corporate interest	149,100,000 <i>(Note)</i>	36.43%

Note: Mr. Sean Liu held 70% shareholding interest in Best Mineral Resources Limited ("BMRL"). BMRL held 149,100,000 Shares as at 30 June 2004. As such, Mr. Sean Liu was deemed to be interested in 149,100,000 Shares by virtue of his shareholding in BMRL.

Ms. Chen Jing is the spouse of Mr. Sean Liu and is deemed to be interested in 149,100,000 Shares.

Save as disclosed above, as at 30 June 2004, none of the directors or chief executives of the Company had, under Divisions 7 and 8 of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO.



DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 30 June 2004, details of the share options granted to the directors of the Company are as follows:

Name of grantee	Date of grant	Number of Shares	Exercise price	Exercise/Vesting period
Mr. Mo Keung	23 February 2004	4,092,225	HK\$0.54	23 February 2004 to 22 February 2009
Mr. Chan Wing Yau, George	23 February 2004	4,092,225	HK\$0.54	23 February 2004 to 22 February 2009

No share option was exercised or cancelled during the year ended 30 June 2004.

The accounting policy adopted for share options is set out in note 28 accompanying to the financial statements.

Save as disclosed above, as at 30 June 2004, none of the directors or their spouses or children under 18 years of age were granted or exercised any rights to subscribe for any equity or debt securities (including debentures) of the Company or any of its associated corporations.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 4 to the accompanying financial statements, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Company or directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors of the Company is interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.



DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDING

(a) Interests of shareholders discloseable pursuant to the SFO

As at 30 June 2004, so far as is known to the directors and chief executives of the Company, the following persons had an interest or short position in the Shares and underlying Shares which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO have been recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Long position/ Short position	Nature of interest	Number of Shares held	Percentage of the issued share capital of the Company
Mr. Sean Liu	Long position	Corporate interest	149,100,000 <i>(Note)</i>	36.43%
Ms. Chen Jing	Long position	Family interest	149,100,000 <i>(Note)</i>	36.43%
Best Mineral Resources Limited	Long position	Personal interest	149,100,000 <i>(Note)</i>	36.43%
Ms. Feng Xui Li	Long position	Personal interest	49,478,000	12.09%
Mr. Wang Wenjun	Long position	Personal interest	22,200,000	5.42%

Note: Mr. Sean Liu held 70% shareholding interest in Best Mineral Resources Limited ("BMRL"). BMRL held 149,100,000 Shares as at 30 June 2004 by virtue of its shareholding in the Company. As such, Mr. Sean Liu was deemed to be interested in 149,100,000 Shares by virtue of his shareholding in BMRL.

Ms. Chen Jing is the spouse of Mr. Sean Liu and is deemed to be interested in 149,100,000 Shares.

Save as disclosed above, no person was interested in or had a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as at 30 June 2004.



DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDING *(continued)*

(b) Substantial shareholding in other members of the Group

As at 30 June 2004, as far as is known to the directors and chief executives of the Company, the following person, other than a director or chief executives of the Company, is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

Name of subsidiary	Name of shareholder	Number and class of shares held	Percentage of shareholding
Pacific Cruises (Hainan) Limited	Wong Kin Ming	4,900,000 ordinary shares	49%

Save as disclosed above, the directors and chief executives of the Company are not aware that there is any person who, as at 30 June 2004, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

AUDIT COMMITTEE

Under the Listing Rules and with reference to "A Guide for the Formation of an Audit Committee" issued by the HKICPA, the Company established an audit committee (the "Audit Committee").

The existing members of the Audit Committee include the four independent non-executive directors of the Company. Amongst the committee's principal duties are to conduct regular meetings with the executive directors of the Company in order to review the Company's financial reporting process and internal controls as well as to consider the scope and nature of the audit.

COMPLIANCE WITH CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year ended 30 June 2004, except that the independent non-executive directors have not been appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Bye-Laws.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the Directors confirm that they complied with the required standard as set out in the Model Code throughout the year ended 30 June 2004.



DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

AUDITORS

Messrs. PricewaterhouseCoopers were appointed to audit the financial statements for the fifteen months ended 30 June 2002. Messrs. PricewaterhouseCoopers retired as auditors of the Company following the conclusion of the annual general meeting of the Company on 16 December 2002. At the special general meeting of the Company held on 21 July 2003, Messrs. Chu and Chu were appointed as the auditors of the Company to fill the casual vacancy. Messrs. Chu and Chu acted as the Company's auditors for the year ended 30 June 2003.

Messrs. Chu & Chu retire and a resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. Chu and Chu as auditors of the Company.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'Wu Yijian', written over a horizontal line.

Wu Yijian

Chairman

Hong Kong, 20 October 2004