



CGD

中國金展 控股有限公司

China Golden Development Holdings Limited

INTERIM REPORT 2005



INTERIM RESULTS

The board of directors (the "Board") of China Golden Development Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 31st December, 2004 together with comparative figures for the corresponding period in 2003 as follows:

	Note	Six months ended 31st December,	
		2004 HK\$'000 (unaudited)	2003 HK\$'000 (unaudited)
Turnover	4	69,554	82,547
Cost of sales	4	<u>(30,117)</u>	<u>(33,281)</u>
Gross profit		39,437	49,266
Other revenue		61	33
General and administrative expenses		<u>(6,839)</u>	<u>(10,272)</u>
Profit from operations		32,659	39,027
Interest income		638	350
Finance costs		<u>(470)</u>	<u>(103)</u>
Profit before taxation	5	32,827	39,274
Taxation	6	<u>–</u>	<u>–</u>
Profit after taxation		32,827	39,274
Minority interests		<u>(17,339)</u>	<u>(20,319)</u>
Profit attributable to shareholders		<u>15,488</u>	<u>18,955</u>
Earnings per share			
– Basic (HK cents)	8	<u>3.8</u>	<u>4.6</u>
– Diluted (HK cents)	8	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31st December, 2004 and 30th June, 2004

	<i>Note</i>	As at 31st December, 2004 <i>HK\$'000</i> (unaudited)	As at 30th June, 2004 <i>HK\$'000</i> (audited)
Non-current assets			
Fixed assets	9	175,989	179,615
Goodwill		3,506	4,212
		<u>179,495</u>	<u>183,827</u>
Current Assets			
Inventories		848	1,555
Loans receivable		13,040	20,023
Trade receivables	10	40,106	29,786
Prepayment and other receivables		24,587	2,144
Cash and cash equivalents		13,710	20,791
		<u>92,291</u>	<u>74,299</u>
Current Liabilities			
Interest-bearing borrowings	11	21,021	18,018
Trade payables	12	5,328	4,335
Accruals and other payables		8,848	6,540
Amounts due to directors		40	1,803
		<u>35,237</u>	<u>30,696</u>
Net current assets		57,054	43,603
Total assets less current liabilities		236,549	227,430
Non-current liabilities			
Interest-bearing borrowings	11	4,466	13,474
Shareholder's loan	13	12,000	12,000
		<u>16,466</u>	<u>25,474</u>
Minority interest		32,093	29,454
Net Assets		<u>187,990</u>	<u>172,502</u>
Capital and reserves			
Share capital		40,922	40,922
Reserves		147,068	131,580
		<u>187,990</u>	<u>172,502</u>
Shareholders' equity		<u>187,990</u>	<u>172,502</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st December, 2004

	Six months ended 31st December,	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash generated from operating activities	(6,901)	9,970
Net cash used in investing activities	6,983	(122)
Net cash used in financing activities	<u>(7,163)</u>	<u>(9,685)</u>
Increase (Decrease) in cash and cash equivalents	(7,081)	163
Cash and cash equivalents at the beginning of the period	<u>20,791</u>	<u>1,359</u>
Cash and cash equivalents at the end of the period	<u><u>13,710</u></u>	<u><u>1,522</u></u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>13,710</u>	<u>1,522</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st December, 2004

	Share capital	Share premium	Capital reserve	Cumulative translation adjustments	Retained profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st July, 2004	40,922	43,973	49,886	1,008	36,713	172,502
Profit for the period	—	—	—	—	15,488	15,488
At 31st December, 2004	40,922	43,973	49,886	1,008	52,201	187,990
At 1st July, 2003	40,922	43,973	49,886	1,008	13,917	149,706
Profit for the period	—	—	—	—	18,955	18,955
At 31st December, 2003	40,922	43,973	49,886	1,008	32,872	168,661
Profit for the period	—	—	—	—	3,841	3,841
At 30th June, 2004	40,922	43,973	49,886	1,008	36,713	172,502

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

These unaudited condensed consolidated interim financial statements ("Interim Accounts") of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and is in compliance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. Principal accounting policies

The accounting policies and methods of computation used in preparation of these interim financial statements are consistent with those used in the last audited financial statements for the period ended 30th June, 2004.

All significant transactions and balances among the companies comprising the Group have been eliminated on consolidation.

In the opinion of the Board, the presentation of the Interim Accounts prepared on the above basis presents more fairly the results and state of affairs of the Group as a whole.

3. Related party transactions

During the six months ended 31st December, 2003, the Group paid interest expenses of approximately HK\$93,000 to Best Mineral Resources Limited ("BMRL"), a substantial shareholder of the Company in relation to a convertible bond issued to BMRL pursuant to a subscription agreement dated 19th November, 2001 ("Subscription Agreement"). The Subscription Agreement was expired on 18th November, 2003. On 19th November, 2003, the Company and BMRL entered into an agreement pursuant to which the outstanding balance of the convertible bond amounted to HK\$12,000,000 due to BMRL by the Company was converted to a shareholder's loan ("Shareholder's Loan"). The Shareholder's Loan is unsecured, interest free and repayable by 20th January, 2006. During the six months ended 31st December, 2004, no interest has been paid by the Group to BMRL.

In the opinion of the Board, the above related party transaction was conducted in the usual course of business and on normal commercial terms.

4. Turnover and segment information

The Group is principally engaged in the operation of passenger cruise ship. Cruise and cruise-related revenues comprise sales of passenger tickets and revenues from on board services, licensing of amusement facilities and other related services, including sale of food and beverages.

No analysis by principal activities and geographical markets of the Group's turnover and contribution to operating profit for the six months ended 31st December, 2004 and 2003 are 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 route from Haikou in Hainan, the People's Republic of China ("PRC"), via Beihai in Guangxi, the PRC, to Halong Bay in Vietnam.

Turnover and cost of sales amounted to approximately HK\$3,558,000 for the six months ended 31st December, 2003 has been adjusted to conform with the current period's presentation to better reflect the principal activities of the Group.

5. Profit before taxation

Profit before taxation is arrived after charging and crediting the following items:

	Six months ended	
	31st December,	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
After charging –		
Staff costs (include directors' emoluments)	6,809	6,874
Depreciation of fixed assets	3,629	3,923
Amortisation of goodwill	705	705
Interest on borrowings wholly repayable within five years:		
– Convertible bond	–	93
– Other borrowings	–	10
– Interest-bearing borrowings	467	–
Minimum lease payments under operating lease	493	1,007
	<u> </u>	<u> </u>
After crediting –		
Interest income from:		
– Interest income from loan receivables	638	350
	<u> </u>	<u> </u>

6. Taxation

The Company and its subsidiaries are subject to income taxes on an entity basis on income arising in or derived from the tax jurisdiction in which they operate.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profit in Hong Kong during the period.

There is no significant unprovided deferred taxation during the period.

7. Dividend

The Board has resolved not to declare any interim dividend in respect of the six months ended 31st December, 2004 (2003: Nil).

8. Earnings per share

The calculation of basic earnings per share for the six months ended 31st December, 2004 was based on the profit attributable to shareholders of approximately HK\$15,488,000 (2003: approximately HK\$18,955,000) and on the weighted average number of 409,222,500 (2003: 409,222,500) shares in issue during the period. No potential dilutive shares exist as at 31st December, 2004 and accordingly diluted earnings per share was not shown.

9. Fixed assets

For the six months ended 31st December, 2004, the Group has acquired fixed assets of approximately HK\$7,292.

10. Trade receivable

The credit terms of the Group range from 0 to 90 days. An ageing analysis of trade receivables is as follows:

	As at 31st December, 2004	As at 30th June, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	7,884	7,602
31 to 60 days	7,600	7,609
61 to 90 days	7,609	7,600
over 90 days	17,013	6,975
	<u>40,106</u>	<u>29,786</u>

11. Interest-bearing borrowings

On 20th January, 2004, the Company issued Secured Guaranteed Floating Rate Notes due 2006 in the principal amount of US\$10,000,000 (the "Floating Rate Notes"). As at 31st December, 2004, the outstanding principal amount of the Floating Rate Notes was approximately US\$3,267,500. The Floating Rate Notes are secured by (i) the Company's 51% equity interest in Pacific Cruises (Hainan) Limited ("Pacific Cruises"), a non-wholly owned subsidiary of the Group, (ii) the cruise ship of Pacific Cruises known as the "Ming Fai Princess" (the "Cruise Ship"), (iii) certain receivables and bank deposits of Pacific Cruises, (iv) all monies payable to Pacific Cruises in respect of the requisition of title or compulsory acquisition of the Cruise Ship and the insurance policies of the Cruise Ship, (v) joint and several personal guarantees executed by three executive directors of the Company, namely Messrs. Wu Yijian, Sean Liu and Mo Keung (the "Guarantors") and (vi) the subordination of the present and future indebtedness owing by the Company to the Guarantors.

12. Trade payables

The credit terms of the Group range from 30 to 90 days. An ageing analysis of trade payables is as follows:

	As at 31st December, 2004	As at 30th June, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	2,223	1,511
31 to 60 days	1,199	1,270
61 to 90 days	936	571
91 to 180 days	970	983
181 to 365 days	–	–
	<u>5,328</u>	<u>4,335</u>

13. Shareholder's loan

On 19th November, 2003, the Company and BMRL entered into an agreement pursuant to which the outstanding balance of the convertible bond amounted to HK\$12,000,000 due to BMRL by the Company was converted to a shareholder's loan ("Shareholder's Loan"). The Shareholder's Loan is unsecured, interest free and repayable by 20th January, 2006.

Mr. Sean Liu and Mr. Wu Yijian both are directors of the Company, held 70% and 30% shareholding interests in BMRL respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The turnover of the Group for the six months ended 31st December, 2004 decreased to approximately HK\$69.5 million compared to approximately HK\$82.5 million for the corresponding period last year, a decrease of approximately 15.7%. The decrease in turnover was mainly attributable to the decrease in ticket income and income from some entertainment facilities of the cruise ship "Ming Fai Princess" ("Ming Fai Princess").

The gross profit of the Group for the six months ended 31st December, 2004 decreased to approximately HK\$39.4 million compared to approximately HK\$49.3 million for the corresponding period last year due to decrease in the level of turnover. The gross profit margin of the Group for the six months ended 31st December, 2004 slightly dropped to approximately 56.7%, compared with approximately 59.7% for the corresponding period last year.

The general and administrative expenses for the six months ended 31st December, 2004 decreased by approximately 33.4% to approximately HK\$6.8 million compared to approximately HK\$10.3 million for the corresponding period last year. The decrease in the general and administrative expenses were mainly due to effective cost control measures over the salary expenses.

The finance costs for the six months ended 31st December, 2004 increased by approximately 356.3% to approximately HK\$0.5 million compared to approximately HK\$0.1 million for the corresponding period last year. The increase in the finance costs was mainly attributable to the interest expenses arising from the issuance of the Floating Rate Notes in January 2004.

Profit attributable to shareholders for the six months ended 31st December, 2004 was recorded at approximately HK\$15.5 million, decreased by 18.3% from approximately HK\$18.9 million reported in the corresponding period last year. The decreased in profit attributable to shareholders was due to the decrease in turnover.

Business Review

The Group's income derived mainly from the operation of its passenger cruise ship, the "Ming Fai Princess". The cruise ship sails from Haikou in Hainan, the PRC, via Beihai in Guangxi to Halong Bay in Vietnam. In the first half of the financial year, both the Group's turnover and profit experienced decrease, mainly due to changes in visa arrangement for Chinese citizens visiting Vietnam made by the Vietnamese government in October 2004, which requires Chinese citizens to possess 60 days' rather than 7 days' visas. As this new visa requirement is not in line with the general PRC government practice of issuing 7 days' visas, Mainland tourists were not able to visit Vietnam during that two months from October, thus affecting the number of on-board passengers. Starting from the end of December, 2004, the PRC government allows the issuing of 60 days' visas, which enables Mainland tourists to visit Vietnam. On the other hand, the instability of international oil prices has also led to slight cost increase during the first half year.

On 28th December, 2004, the Group entered into an agreement with the operator of the gaming facility on board of the "Ming Fai Princess" to share 20% of the net profits of such gaming facility for a period of 5 years commencing on 1st January, 2005. Further details of this transaction are contained in the circular of the Company dated 26 January, 2005. The Board believes that the transaction will generate higher revenues and returns for the Group.

Future Plan and Prospect

Looking forward to the second half year, the Board believes that international oil prices will continue to be volatile. The Board expects that our cruise ship business will face considerable challenges in the remainder of the financial year. In order to raise the competitiveness of its cruise ship, the Group is planning to upgrade and add new entertainment facilities in the cruise ship to attract more tourists.

The Board believes the passenger cruise ship and related businesses have enormous growth potential in Mainland China. It will continue to explore the passenger cruise ship and tourism-related businesses in the Mainland China in order to bring higher returns for its shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2004, net current assets and net assets of the Group amounted to approximately HK\$57.0 million (30th June, 2004: HK\$43.6 million) and approximately HK\$187.9 million (30th June, 2004: HK\$172.5 million) respectively. As at 31st December, 2004, the Group had cash and cash equivalents amounted to approximately HK\$13.7 million (30th June, 2004: HK\$20.8 million). The current ratio of the Group as at 31st December, 2004 was 262% (30th June, 2004: 242%).

On 20th January, 2004, the Company issued Secured Guaranteed Floating Rate Notes due 2006 in the principal amount of US\$10,000,000 (the "Floating Rate Notes"). The Floating Rate Notes carry interest at the rate equivalent to LIBOR for deposits in US Dollars for one month plus a margin of 1.5% per annum and are repayable on 20th January, 2006. The Floating Rate Notes are guaranteed by certain executive directors of the Company and are also secured by certain assets of the Group. The gearing ratio, which is found by dividing the financial indebtedness by the shareholders' equity, reduced from approximately 18.3% as at 30th June, 2004 to 13.6% as at 31st December, 2004. The improvement in the gearing ratio was mainly due to the decrease in the outstanding balance of the Floating Rate Notes.

As at 31st December, 2004, the Company had 409,222,500 shares in issue with total shareholders' funds of the Group amounting of approximately HK\$187.9 million.

With respect to foreign exchange exposure, as the Group's earnings are primarily denominated in Renminbi and the exchange fluctuation between Renminbi and Hong Kong dollar was not material during the period under review, the Group has no significant exposure to foreign exchange rate fluctuations.

During the six months ended 31st December, 2004, the Group has not used any financial instruments for hedging purpose.

CONTINGENT LIABILITIES

As at 31st December, 2004, the Group and the Company did not have any significant contingent liabilities.

HUMAN RESOURCES

As at 31st December, 2004, the Group employed 279 (2003: 349) full time employees, of which 273 (2003: 336) were based in Mainland China. The remuneration of the employees is based on work performance and years of experience.

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

As at 31st December, 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	Approximate percentage of the issued share capital of the Company
Mr. Sean Liu	Corporate interest	149,100,000 (Note)	36.43%

Note: Mr. Sean Liu held 70% shareholding interest in Best Mineral Resources Limited ("BMRL"). BMRL held 149,100,000 Shares as at 31st December, 2004. As such, Mr. Sean Liu was deemed to be interested in 149,100,000 Shares by virtue of his shareholding in BMRL.

Save as disclosed above, as at 31st December, 2004, none of the directors or chief executives of the Company had, under Divisions 7 and 8 of Part XV 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' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Details of share option scheme are set out in the section "Share Option Scheme".

As at 31st December, 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	23rd February, 2004	4,092,225	HK\$0.54	23rd February, 2004 to 22nd February, 2009
Mr. Chan Wing Yau George	23rd February, 2004	4,092,225	HK\$0.54	23rd February, 2004 to 22nd February, 2009

No share option was exercised or cancelled during six months ended 31st December, 2004.

Save as disclosed above, as at 31st December, 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.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2004, so far as is known to the directors and the chief executives of the Company, the following parties (other than a director or chief executive) 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	Approximate percentage of the issued share capital of the Company
Best Mineral Resources Limited	Long position	Personal interest	149,100,000	36.43%
Ms. Chen Jing	Long position	Family interest	149,100,000 (Note)	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:

Ms. Chen Jing is the wife of Mr. Sean Liu and is deemed to be interested in 149,100,000 Shares in which Mr. Sean Liu is interested under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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 have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as at 31st December, 2004.

SHARE OPTION SCHEME

In accordance with the terms of the share option scheme adopted by the Company on 6th November, 2001 (the "Share Option Scheme"), the Company may grant options to executive directors and employees of the Company to subscribe for shares in the Company, subject to a maximum of 30% of the issued share capital of the Company from time to time excluding for this purpose shares issued in the exercise of options. The subscription price will be determined by the directors of the Company by reference to (i) the nominal value of the shares, (ii) the closing price per share as stated in the Stock Exchange, and (iii) the average closing price of the shares quoted on the Stock Exchange on the five trading days immediately proceeding the date of the grant of the options, whichever is higher.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31st December, 2004.

AUDIT COMMITTEE

The existing members of the audit committee of the Company (the "Audit Committee") include four independent non-executive directors of the Company. The Audit Committee has reviewed with the management of the Group the accounting principles and practices adopted by the Group, its internal controls and financial reporting matters including a review of the unaudited Interim Accounts for the six months ended 31st December, 2004.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had 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. Having made specific enquiry of all directors of the Company, they confirm that they complied with the required standard as set out in the Model Code during the six months ended 31st December, 2004.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 31st December, 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, 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.

On Behalf of the Board
Chan Wing Yau George
Director

Hong Kong, 17th March, 2005

As at the date hereof, the Board comprises five executive directors, namely, Messrs. Wu Yijian, Sean Liu, Mo Keung, Qin Chuan and Chan Wing Yau George and four independent non-executive directors, namely, Messrs. Paul Zhong, Hu Yang Xiong, Chan Wai Kwong Peter and Kwok Wing Wah.