NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

1. GENERAL

China Golden Development Holdings Limited (the "Company") was incorporated in Bermuda on 8 August 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 23 October 2000.

The Company is an investment holding company. Its subsidiaries (together with the Company hereinafter referred to as the "Group") are principally engaged in cruise and cruise-related business.

2. RECENTLY ISSUED NEW AND REVISED ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30 June 2005. An assessment of the impact of these new HKFRSs has already been commenced but the Group is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the HKICPA, and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). They have been prepared under the historical cost convention, modified with respect to the measurement of certain fixed assets, as further explained in the respective accounting policies below. A summary of the significant accounting policies adopted by the Group is set out below:

a. Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and its subsidiaries, and are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Intra group balances and transactions and any unrealised profits arising from intra group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra group transactions are eliminated unless cost cannot be recovered.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or negative goodwill which was not previously charged or recognised in the consolidated income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

a. Basis of consolidation *(continued)*

The equity and net profit attributable to minority shareholders' interests, representing the interests of outside shareholders, are shown separately in the Group's balance sheet and income statement, respectively.

b. Subsidiaries

A subsidiary is a company whose financial and operating policies are under the Company's control, directly or indirectly, so as to obtain benefits from its activities.

In the Company's balance sheet, investments in subsidiaries are stated at cost less any accumulated impairment losses. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

c. Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair values of the identifiable assets and liabilities of the subsidiaries at the date of acquisition. It is carried at cost less accumulated amortisation and accumulated impairment losses, and is capitalised and amortised on a straight line basis over its estimated useful life of 5 years. The amortisation charge for each period is recognised as an expense.

Negative goodwill represents the excess, as at the date of the transaction, of the Group's interest in the fair value of the identifiable assets and liabilities acquired over the cost of acquisition. It is presented in the same balance sheet classification as goodwill and as a deduction from assets. To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the Group's plan of acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised as income immediately. For acquisitions prior to 1 April 2001, negative goodwill was taken directly to capital reserve on acquisition.

On disposal of an interest in a subsidiary, the attributable amount of goodwill not previously amortised through the consolidated income statement or which has previously been dealt with as a movement on group reserves is included in the calculation of the gain or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Major expenditures on modifications and betterments of fixed assets which will result in future economic benefits are capitalised, while expenditures on maintenance and repairs are expensed when incurred. Depreciation is provided to write off the cost of each asset over its estimated useful life using the straight line method. The annual rates of depreciation are as follows:

Cruise ship	4%
Furniture and equipment	20% – 50%
Motor vehicles	10% – $33^1/_3$%

Gain and loss on disposal of fixed assets is recognised in the income statement based on the net disposal proceeds less the then carrying amount of the assets.

e. Other asset

Other asset represents the right in respect of being entitled to share 20% of the net profits of the gaming facilities of the cruise ship at which gambling, entertainment and other related activities are carried out and is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided to write off the cost of other asset over a period of five years in equal annual installments.

f. Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss representing the difference between the carrying amount and the recoverable amount of an asset is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of an impairment loss of an asset recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is recorded in the income statement.

g. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a first-in, first-out basis and includes all costs of purchase, and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g. Inventories *(continued)*

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

h. Income taxes

(i) Income taxes for the year comprise current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Generally all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the company has the legally enforceable right to set off current tax assets against current tax liabilities. The principle of offsetting usually applies to income taxes levied by the same tax authority on the same taxable entity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i. Foreign currency translation

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations ("functional currencies"). In the financial statements of the individual companies, transactions in other currencies during the year are translated into the respective functional currencies at the applicable rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies at the applicable rates of exchange in effect at the balance sheet date. Exchange gains and losses are dealt with in the income statement of the individual companies.

The Group prepares consolidated financial statements in Hong Kong dollars. For the purpose of consolidation, all of the assets and liabilities of subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date; all of the income and expense items of individual companies within the Group with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the average applicable exchange rates during the year. Exchange differences arising from such translations are dealt with as movements of cumulative translation adjustments.

j. Provision and contingencies

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

k. Turnover and revenue recognition

Turnover represents cruise revenue (excluding business tax) and after allowances for returns and discounts.

The cruise revenue made in the People's Republic of China ("PRC") is subject to the PRC business tax at a rate of 3%.

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group.

Cruise revenue is recognised when the relevant services have been rendered. Cruise revenue, and all associated direct costs of a voyage, are generally recognised on a pro rata basis over the period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

k. Turnover and revenue recognition *(continued)*

Sales revenue is recognised when the merchandise is delivered and title has passed.

Interest income is recognised on a time proportion basis on the principal outstanding and at the rate applicable.

l. Operating leases

Leases are classified as operating leases where substantially all the risks and rewards incidental to ownership of the leased assets remain with the lessor. Lease payments under operating leases are recognised as an expense in the income statement on a straight line basis over the lease term. The aggregate benefit of incentives on operating leases is recognised as a reduction of rental expense over the lease term on a straight line basis.

Where assets are leased out under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the accounting policy as shown in note (3)(d) above.

Receivable under operating leases are accounted for in the income statement on a straight line basis over the periods of the respective leases.

m. Employee benefits

Salaries, annual leave and other benefits are accrued in the year in which the associated services are rendered by employees of the Group.

Contributions to defined contribution retirement plans are recognised as an expense in the income statement as incurred.

n. Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

o. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

p. Segments

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

4. RELATED PARTY TRANSACTIONS

a. Particulars of significant transactions between the Group and related parties during the year are as follows:

	2005 HK$'000	2004 HK$'000
Rental expenses paid to the spouse of a minority shareholder of a subsidiary *(note i)*	311	85
Sales proceeds received from a minority shareholder of a subsidiary in respect of disposing certain fixed assets *(note i)*	444	–
Interest expenses paid to Best Mineral Resources Limited ("BMRL"), a substantial shareholder of the Company *(note ii)*	–	93

Note:

(i) These transactions are conducted on the basis determined by negotiation between the parties concerned.

(ii) Interest expenses were in relation to the convertible bond issued by the Company in previous year. The convertible bond was unsecured, interest-bearing at 2% per annum and had been converted into the shareholder's loan in last year.

b. Details of balances due to related parties are as follows:

	2005 HK$'000	2004 HK$'000
Mr. Wu Yijian, the chairman and an executive director of the Company	–	500
Mr. Sean Liu, an executive director of the Company	27	57
Mr. Mo Keung*, an executive director of the Company	–	1,246
A company controlled by a minority shareholder of a subsidiary	–	1,918
Shareholder's loan payable to BMRL	12,000	12,000

* Mr. Mo Keung was resigned as a director of the Company during the year.

5. SEGMENT INFORMATION

No analysis by principal activities 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.

The Group is principally engaged in the cruise and cruise-related business by operating a cruise ship known as "Ming Fai Princess" (the "Cruise Ship"). Prior to the entering into the licensing agreements on 26 May 2005 and 10 June 2005 (the "new licensing agreements"), the Group's turnover was generated from the operation of the Cruise Ship's tour covering Haikou in Hainan, the PRC, Beihai in Guangxi Province, the PRC and Halong Bay in Vietnam ("PRC-Vietnam route") which included licence fee received from Anglo View Limited (the "Licensee") pursuant to the licensing agreement entered between the Group and the Licensee in prior year (the "old licensing agreement") which has been expired on 31 March 2005.

Pursuant to the new licensing agreements entered between the Group and the Licensee, the Group has granted a license to the Licensee in respect of the operation of the Cruise Ship (including gaming facilities) as a whole for an initial term of 2 years commencing from 1 June 2005 to 31 May 2007 both days inclusive at a fixed license fee of HK$1,500,000 per month. In accordance with the terms of the new licensing agreements, the Cruise Ship ceased its PRC-Vietnam route and operated a new route in Hong Kong waters and the international waters nearby Hong Kong (the "New Route").

No analysis by geographical markets of the Group's turnover and contribution to operating profit for the year is provided as less than 10% of the consolidated turnover and less than 10% of the consolidated results of the Group are attributed to the New Route.

6. TURNOVER

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

7. PROFIT BEFORE TAXATION

	2005 HK$'000	2004 HK$'000
Profit before taxation is arrived at after charging:		
Interest on borrowings wholly repayable within five years:		
– Interest-bearing borrowings	881	400
– Convertible bond	–	93
– Others	–	15
Auditors' remuneration		
– Current year	380	350
– Overprovision in prior year	(130)	–
	250	350
Staff costs, including directors' emoluments as set out in note (8) below:		
– Contributions to defined contribution plans	105	108
– Salaries and other staff costs	10,715	13,954
Depreciation of fixed assets	7,278	7,656
Amortisation of goodwill	1,410	1,410
Amortisation of other asset	4,000	–
Minimum lease payments under operating leases:		
– Office premises	780	1,231
– Staff quarter including in staff costs as set out above	37	61
Loss on disposal of fixed assets	123	49
Legal and professional fee for the issuance of secured guaranteed floating rate notes	–	2,807
Net exchange loss	29	133
and after crediting:		
Interest income from loans receivable	650	1,017
Guaranteed pro rata entitlement recognised in respect of sharing of the net profits of the gaming facilities of the Cruise Ship as set out in *note (14)(a)* to these financial statements	2,500	–

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

a. Details of directors' emoluments are as follows:

	2005 HK$'000	2004 HK$'000
Fees		
– Executive directors	–	–
– Independent non-executive directors	112	12
	112	12
Other emoluments for executive directors		
– Basic salaries and allowances	2,065	2,170
– Contributions to defined contribution plans	30	32
	2,095	2,202
	2,207	2,214

During the year, no emoluments were paid by the Group to the directors as an inducement to join the Group or as compensation for loss of office. No directors waived any emoluments during the year.

Analysis of directors' emoluments by number of directors and emoluments are within the following bands:

	2005 Number of directors	2004 Number of directors
Executive directors		
– Nil to HK$1,000,000	7*	5
– HK$1,000,000 to HK$1,500,000	–	1
Independent non-executive directors		
– Nil to HK$1,000,000	4#	2
	11	8

* Including a deceased director and a director who was resigned during the year.

Including two independent non-executive directors who were appointed during the year.

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

b. Details of emoluments of the five highest paid individuals included three directors (2004: three), details of whose emoluments are set out in note (8)(a) above. The emoluments of the remaining individuals for the year are as follows:

	2005 HK$'000	2004 HK$'000
Basic salaries and allowances	1,014	540
Contributions to defined contribution plans	12	13
	1,026	553

The emoluments of each of the aforesaid employees are within the following bands:

	2005 Number of employees	2004 Number of employees
Nil to HK$1,000,000	2	2

9. TAXATION

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

The Company is exempted from taxation in Bermuda until March 2016.

The profit from provision of passenger cruise ship service and cruise-related business is exempted from PRC enterprise income tax.

Provision for Hong Kong profits tax has not been made as the companies in the Group did not have assessable profits during the year.

Details of the deferred taxation are shown in note (27) to these financial statements.

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

During the year, the consolidated profit attributable to shareholders included a loss of HK$13,696,000 (2004: HK$4,583,000) dealt with in the financial statements of the Company.

11. DIVIDEND

The directors do not recommend the payment of dividend for the year ended 30 June 2005 (2004: Nil).

12. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 30 June 2005 was based on the profit attributable to shareholders of HK$2,175,000 (2004: HK$22,796,000) and on the weighted average number of 409,222,500 (2004: 409,222,500) shares in issue during the year.

No potential dilutive shares existed as at 30 June 2005 and 30 June 2004.

13. FIXED ASSETS

The Group

	Cruise ship	**Furniture and equipment**	**Motor vehicles**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Cost				
As at 1 July 2004	200,036	1,914	1,001	202,951
Additions	–	218	–	218
Disposals	–	(259)	(1,001)	(1,260)
As at 30 June 2005	200,036	1,873	–	201,909
Accumulated depreciation				
As at 1 July 2004	22,179	888	269	23,336
Charge for the year	6,806	373	99	7,278
Disposals	–	(161)	(368)	(529)
As at 30 June 2005	28,985	1,100	–	30,085
Carrying amount				
As at 30 June 2005	171,051	773	–	171,824
As at 30 June 2004	177,857	1,026	732	179,615

The Cruise Ship was acquired by the Group on 28 June 2002 in connection with the acquisition of a 51% interest of Pacific Cruises (Hainan) Limited ("Pacific Cruises"). The last valuation of the Cruise Ship prior to acquisition was performed by Vigers Hong Kong Limited, independent qualified valuers, on 26 April 2002 on an open market value basis.

As at 30 June 2005, the Cruise Ship has been leased out under an operating lease. Details of such leasing arrangement are set out in notes (5) and (32)(b) to these financial statements.

13. FIXED ASSETS *(continued)*

The Company

	Furniture and equipment HK$'000
Cost	
Additions during the year and as at 30 June 2005	50
Accumulated depreciation	
Charge for the year and as at 30 June 2005	(3)
Carrying amount	
As at 30 June 2005	47
As at 30 June 2004	–

14. OTHER ASSET

	2005 HK$'000	2004 HK$'000
Right in respect of being entitled to share 20% of the net profits of the gaming facilities of the Cruise Ship, at cost *(note a, b)*	40,000	–
Less: Amortisation for the year	(4,000)	–
	36,000	–

Note:

a. On 28 December 2004, an indirect wholly-owned subsidiary of the Company entered into an agreement (the "Agreement") with the Licensee (as mentioned in note (5) to these financial statements) and Mr. Cai Jun Jie who is the sole legal and beneficial owner of the Licensee. Pursuant to the Agreement, the subsidiary has paid HKD40,000,000 (the "Consideration") to the Licensee in consideration of the Licensee undertakes with the subsidiary that it shall pay to the subsidiary 20% of the net profits of the gaming facilities of the Cruise Ship for a period of 5 years commencing on 1 January 2005. The aforesaid share of profits shall be payable semi-annually. The Licensee guarantees to the subsidiary that the aforesaid share of annual profits in the two years ending 31 December 2006 shall not be less than HK$5,000,000 each and the aforesaid share of annual profits in the three years ending 31 December 2009 shall not be less than HK$10,000,000 each.

   The guaranteed share of profits for the half-year ended 30 June 2005 in the amount of HK$2,500,000 has already been received by the subsidiary in September 2005 and was recognised as revenue in the year ended 30 June 2005.

b. Subsequent to the balance sheet date on 7 October 2005, the subsidiary entered into a supplemental agreement (the "Supplemental Agreement") with the Licensee whereby the subsidiary agreed with the Licensee to give up its right to the profits sharing arrangement under the Agreement dated 28 December 2004 as detailed in note (14)(a) above in exchange of a fixed return from the Licensee, calculated as 2% on the amount of repayment of the outstanding Consideration to be received. The repayments will be made semi-annually in the amount of HK$2,550,000 (including repayment of Consideration in the amount of HK$2,500,000) for the three half-years ending 31 December 2006 and HK$5,100,000 (including repayment of Consideration in the amount of HK$5,000,000) for the six half-years ending 31 December 2009.

c. The directors consider that there is no impairment in value on the carrying value of such asset as at 30 June 2005.

15. INTERESTS IN SUBSIDIARIES

	2005 HK$'000	2004 HK$'000
Unlisted shares, at cost	1	1
Amounts due from subsidiaries	142,699	160,281
Amount due to a subsidiary	(50)	–
	142,650	160,282
Impairment losses	(12,619)	(1,619)
	130,031	158,663

The amounts due from (to) subsidiaries were unsecured, interest-free and not expected to be realised (not to be settled) within one year from the balance sheet date.

The underlying value of the investments in subsidiaries was, in the opinion of the directors, not less than its carrying value as at 30 June 2005.

Details of the subsidiaries as at 30 June 2005 are as follows:

Name	**Place of incorporation/ operation**	**Issued and fully paid share capital/ registered capital**	**Percentage of equity interest attributable to the Group**	**Principal Activity**
Held directly:				
All Chance Resources Limited	British Virgin Islands	US$1	100%	Investment Holding
Bright Chance (Asia) Limited	Hong Kong	HK$1,000	100%	Provision of Administrative Services

15. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Group	Principal Activity
Held indirectly:				
Best Paradise Assets Limited	British Virgin Islands	US$2	100%	Investment Holding
Pacific Cruises (Hainan) Limited	Hong Kong	HK$10,000,000	51%	Provision of Cruise Services
Ming Fai Princess Entertainment Limited	British Virgin Islands	US$1,000	100%	Assets Holding
China Golden Fountain Limited	Hong Kong	HK$1	100%	Dormant

None of the subsidiaries had any loan capital in issue at any time during the year ended 30 June 2005.

16. GOODWILL

	HK$'000
Cost	
As at 30 June 2004 and 30 June 2005	7,052
Accumulated amortisation	
As at 1 July 2004	2,840
Amortisation for the year	1,410
As at 30 June 2005	4,250
Carrying amount	
As at 30 June 2005	2,802
As at 30 June 2004	4,212

The goodwill was related to the acquisition of the entire equity interests in Best Paradise Assets Limited ("BPAL"). BPAL owns a 51% equity interest in Pacific Cruises, a company which was incorporated in Hong Kong and owns the Cruise Ship.

17. INVENTORIES

	2005 HK$'000	2004 HK$'000
Consumable inventories for cruise operations		
– Food and beverages	–	482
– Supplies, spares and consumables	–	1,073
	–	1,555

18. LOANS RECEIVABLE

The loans receivable were unsecured, interest-bearing at 6% per annum and fully settled during the year.

19. TRADE RECEIVABLES

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

	2005 HK$'000	2004 HK$'000
Aged for:		
0 to 30 days	2,500	7,602
31 to 60 days	–	7,609
61 to 90 days	–	7,600
Over 90 days	13,900	6,975
	16,400	29,786

20. PREPAYMENTS AND OTHER RECEIVABLES

Details of prepayments and other receivables are as follows:

	2005 HK$'000	2004 HK$'000
Amount due from a minority shareholder of a subsidiary *(note)*	2,405	–
Deposits	182	275
Prepayments	164	227
Other receivables	2,404	1,642
	5,155	2,144

Note:

This represents short-term advances to Mr. Wong Kin Ming. Mr. Wong Kin Ming owns 49% equity interests of Pacific Cruises, a 51% subsidiary of the Company. Such short-term advances were unsecured, interest-free and with no fixed terms of repayment.

21. CASH AND CASH EQUIVALENTS

	2005 HK$'000	2004 HK$'000
Cash and bank deposits denominated in RMB	–	1,834
Cash and bank deposits denominated in other currencies	1,319	18,957
	1,319	20,791

At present, RMB is not a freely convertible currency in the international market and its exchange rate is fixed by the PRC government.

22. INTEREST-BEARING BORROWINGS

	The Group and the Company	
	2005 HK$'000	2004 HK$'000
Secured guaranteed floating rate notes wholly repayable:		
– Within one year	16,478	18,018
– Between one to two years	–	13,474
	16,478	31,492
Portion classified as current liabilities	(16,478)	(18,018)
Non-current portion	–	13,474

At the balance sheet date, the Company had a net outstanding secured guaranteed floating rate notes due 2006 in the principal amount of US$2,112,500 (the "Floating Rate Notes") (2004: US$4,037,500). The Floating Rate Notes carry interest at the rate equivalent to LIBOR for deposits in US Dollars for one month plus margin of 1.5% per annum and are repayable on 20 January 2006.

The Floating Rate Notes are secured by (i) the Company's 51% equity interest in Pacific Cruises, (ii) 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") respectively and (vi) the subordination of the present and future indebtedness owing by the Company to the Guarantors. Mr. Mo Keung was resigned as a director of the Company during the year.

23. TRADE PAYABLES

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

	2005 HK$'000	2004 HK$'000
Aged for:		
0 to 30 days	–	1,511
31 to 60 days	–	1,270
61 to 90 days	–	571
91 to 180 days	–	983
	–	4,335

24. ACCRUALS AND OTHER PAYABLES

Details of accruals and other payables are as follows:

	2005 HK$'000	2004 HK$'000
Amount due to a minority shareholder of a subsidiary *(note)*	–	1,450
Salaries, wages and other staff welfare payable	417	1,024
Sales tax payable	820	616
Other accruals	1,087	3,450
	2,324	6,540

Note:

This represents short-term advances from Mr. Wong Kin Ming. Mr. Wong Kin Ming owns 49% equity interests of Pacific Cruises, a 51% subsidiary of the Company. Such short-term advances were unsecured, interest-free and with no fixed terms of repayment.

25. AMOUNTS DUE TO DIRECTORS

The amounts due to directors were unsecured, interest-free and with no fixed terms of repayment.

26. SHAREHOLDER'S LOAN

Shareholder's loan was payable to BMRL and was unsecured, interest-free and repayable by 20 January 2006.

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

27. DEFERRED TAXATION

The Group and the Company did not have material deferred tax assets and liabilities unrecognised at the balance sheet date.

28. SHARE CAPITAL

	Number of shares	Nominal value
	'000	HK$'000
Ordinary shares of HK$0.1 each		
Authorised		
As at 30 June 2004 and 30 June 2005	1,000,000	100,000
Issue and fully paid		
As at 30 June 2004 and 30 June 2005	409,223	40,922

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year.

29. SHARE OPTIONS

The Company operates a share option scheme (the "Scheme") for the purpose of attracting and retaining quality personnel and other persons and providing incentive to them, including any directors, employees, consultants and service providers of the Group and any persons or entities having business with the Group. The Scheme became effective on 6 November 2001 and, unless otherwise cancelled or amended will remain in force for 10 years from that date.

The maximum number of shares in respect of which share options may be granted under the Scheme shall not exceed 10% of the number of issued shares of the Company at 6 November 2001 ("General Limit") unless its shareholders in general meeting renew such a limit. The General Limit was refreshed to 40,922,250 shares at the special general meeting of the Company on 15 June 2004. Notwithstanding aforesaid in this paragraph, the aggregate number of shares issued or issuable under the Scheme and any other scheme(s) of the Company shall not exceed 30% of its issued share capital from time to time.

The offer of a grant of share options may be accepted by the grantee within 21 days from the date of the offer. The exercise period of the share options granted (including the minimum period, if any, for which an option must be held before it can be exercised) is determinable by the Company's directors, and in any event such period of time shall not exceed 6 November 2011.

The exercise price of the share options shall be the higher of (i) the nominal value of the shares; (ii) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; and (iii) the average of the closing prices of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant (subject to Scheme adjustments).

29. SHARE OPTIONS *(continued)*

Detailed of movements of share options granted under the Scheme during the year are as follows:

Name of category of participant	Number of share options: As at 1 July 2004	Issued during the year	Forfeited during the year	As at 30 June 2005	Date of grant of share options	Exercise period of share options	Price of share options HK$
Director Mo Keung*	4,092,225	–	(4,092,225)	–	23 February 2004	23 February 2004 to 22 February 2009	0.540
Director Chan Wing Yau George	4,092,225	–	–	4,092,225	23 February 2004	23 February 2004 to 22 February 2009	0.540
Employees	2,046,113	–	–	2,046,113	24 February 2004	24 March 2004 to 23 March 2009	0.540
	2,046,112	–	–	2,046,112	24 February 2004	24 August 2004 to 23 August 2009	0.540
	4,092,225	–	–	4,092,225	26 March 2004	26 March 2004 to 25 March 2009	0.463
Consultants	4,092,225	–	–	4,092,225	23 February 2004	23 February 2004 to 22 February 2009	0.540
	12,276,675	–	–	12,276,675	26 March 2004	26 March 2004 to 25 March 2009	0.463
	–	8,184,450	–	8,184,450	10 November 2004	10 November 2004 to 9 November 2009	0.360
	32,737,800	8,184,450	(4,092,225)	36,830,025			

* Mr. Mo Keung was resigned as a director of the Company during the year.

30. RESERVES

The Group

	Share premium HK$'000	Capital reserve HK$'000 *(note a)*	Cumulative translation adjustments HK$'000	Retained profits HK$'000	Total HK$'000
As at 30 June 2003	43,973	49,886	1,008	13,917	108,784
Net profit for the year	–	–	–	22,796	22,796
As at 30 June 2004	43,973	49,886	1,008	36,713	131,580
Net profit for the year	–	–	–	2,175	2,175
As at 30 June 2005	43,973	49,886	1,008	38,888	133,755

The Company

	Share premium HK$'000	Contributed surplus HK$'000 *(note b)*	Accumulated losses HK$'000	Total HK$'000
As at 30 June 2003	43,973	49,886	(15,699)	78,160
Net loss for the year	–	–	(4,583)	(4,583)
As at 30 June 2004	43,973	49,886	(20,282)	73,577
Net loss for the year	–	–	(13,696)	(13,696)
As at 30 June 2005	43,973	49,886	(33,978)	59,881

Note:

a. Capital reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of a subsidiary acquired through an exchange of shares pursuant to a group reorganisation (the "Reorganisation") by which the Company became the holding company of the other companies comprising the Group on 28 September 2000.

b. Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of a subsidiary acquired through an exchange of shares pursuant to the Reorganisation.

   Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

31. MAJOR NON-CASH TRANSACTIONS

Save as disclosed elsewhere, the following major non-cash transactions were entered into during the year:

a. Trade receivable of HK$14,700,000 (2004: HK$61,250,000) of a non-wholly owned subsidiary was taken up by a minority shareholder of the subsidiary to set off against the interim dividends payable to such shareholder.

b. The sale proceeds of fixed assets of HK$444,000 (2004: Nil) were received from a minority shareholder of a non-wholly owned subsidiary as repayment of the outstanding amount due to such shareholder.

32. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

As at 30 June 2005, the Group had total future minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	2005 HK$'000	2004 HK$'000
Within one year	477	814
In the second to fifth years inclusive	43	540
	520	1,354

b. The Group as lessor

As at 30 June 2005, the Group had contracted with a licensee to receive the following future minimum lease payments in respect of the Cruise Ship under a non-cancellable operating lease:

	2005 HK$'000	2004 HK$'000
Within one year	18,000	–
In the second to fifth years inclusive	16,500	–
	34,500	–

33. ASSETS PLEDGED

As at 30 June 2005, the Cruise Ship with carrying amount of HK$171,051,000 (2004: HK$177,857,000), the Company's 51% equity interest in Pacific Cruises and certain receivables and bank deposits of Pacific Cruises have been charged as collateral for the security of the issuance of the Floating Rate Notes.

34. CONTINGENT LIABILITIES

As at 30 June 2005, the Group and the Company had no (2004: no) contingent liabilities.

35. POST BALANCE SHEET EVENTS

In addition to the post balance sheet event set out in note (14)(b) to these financial statements, the Group had the following post balance sheet events:

On 14 July 2005, a wholly-owned subsidiary of the Company (the "Purchaser") entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with a third party (the "Vendor") whereby the Vendor has agreed to sell to the Purchaser and the Purchaser has agreed to purchase from the Vendor the entire issued share capital of Many Way Limited ("Many Way") for a consideration of HK$9,500,000, which shall be completely satisfied by the allotment and issue of 38,000,000 shares at HK$0.25 each by the Company. Many Way has carried on business in Hong Kong as a travel agent under the Travel Agents Ordinance. On 20 September 2005, the Purchaser and the Vendor entered into a termination agreement whereby all parties have mutually agreed to terminate the Sale and Purchase Agreement due to difference in management style of the Group and Many Way.