NOTES TO THE FINANCIAL STATEMENTS

For the eighteen months ended 31st December 2006

1. GENERAL INFORMATION

China Golden Development Holdings Limited (the "Company") was incorporated in Bermuda on 8th 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 23rd October 2000. The address of its registered office is Units C & D, 7/F., China Overseas Building, No. 139 Hennessy Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries (together with the Company hereinafter referred to as the "Group") are set out in note 18 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:–

(a) Basis of preparation

These financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which also includes Hong Kong Accounting Standards ("HKAS") and Interpretations approved by the HKICPA, and are prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3 to the financial statements.

In the current period, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The comparatives of preceding financial year have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(continued)*

HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current assets held for sale and discontinued operations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 27, 33 and 37 did not result in substantial changes to the Group's accounting policies. In summary:–

– HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures.

– HKASs 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 23, 27, 33 and 37 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.

– HKAS 24 has affected the identification of related parties and some other related party disclosures.

(i) Goodwill

The adoption of HKFRS 3 Business Combinations, HKAS 36 Impairment of Assets and HKAS 38 Intangible Assets has resulted in a change in accounting policy for goodwill. Until 30th June 2005, goodwill arising on consolidation was:–

– Capitalised and amortised on a straight-line basis over its estimated economic useful life of 5 years;

– Assessed for an indication of impairment at each balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the eighteen months ended 31st December 2006

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(continued)*

(i) Goodwill (continued)

In accordance with the provisions of HKFRS 3:–

– The Group ceased amortisation of goodwill from 1st July 2005;

– Accumulated amortisation as at 30th June 2005 has been eliminated with a corresponding decrease in the cost of goodwill;

– From the period ended 31st December 2006 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the income statement.

(ii) Share-based payment

The adoption of HKFRS 2 Share-based Payment has resulted in a change in the Group's accounting policy for share options. The main impact of HKFRS on the Group is the expensing of the fair value of directors' and employees' share options of the Group determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st July 2005. In relation to share options granted before 1st July 2005, the Group has not applied HKFRS 2 to share options granted after 7th November 2002 and had vested before 1st July 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7th November 2002 and had not vested on 1st July 2005. Until 30th June 2005, the provision of share options to employees did not result in a charge to income statement. Effective on 1st July 2005, the Group expenses the cost of share options of HK$3,336,000 in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(continued)*

(iii) Financial instruments

The adoption of HKAS 32 and 39 has resulted in a change in the accounting policy relating to the classification of loan receivables. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities. Accordingly, a compound financial instrument should be separate into liability and equity components. Under HKAS 32 and given the assessed fair value of the liability component of the convertible bond issued on 16th May 2006, the fair value of the equity component of the convertible bond as represented by the residual amount after taking out the liability component from the face value of the convertible bond is fairly recognised in the convertible bond reserve.

(iv) Discontinued operations

The adoption of HKFRS 5, which has resulted in a change in accounting policy on the recognition of a discontinued operation. Prior to the adoption of HKFRS 5, the Group would have previously recognised a discontinued operation at the earlier of when:–

– the Group enters into a binding sale agreement; and

– the board of directors have approved and announced a formal disposal plan.

HKFRS 5 now requires an operation to be classified as discontinued when the criteria to be classified as held for sale have been met or the Group has disposed of the operation. Held for sale is when the carrying amount of an operation will be recovered principally through a sale transaction and not through continuing use.

The effect of the changes in the above accounting policies on the financial statements are summarised below:–

Consolidated income statement for the period ended 31st December 2006

	Effect of adopting		
	HKFRS2	**HKFRS3 and HKAS36**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Increase in staff costs	(3,336)	–	(3,336)
Decrease in amortisation of goodwill	–	1,410	1,410
(Increase)/decrease in loss before income tax	(3,336)	1,410	(1,926)

NOTES TO THE FINANCIAL STATEMENTS

For the eighteen months ended 31st December 2006

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(continued)*

Consolidated balance sheet as at 31st December 2006

	Effect of adopting		
	HKASs32 and 39	**HKFRS2**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Decrease in convertible bond liabilities	(1,550)	–	(1,550)
Increase in share option reserve	–	3,336	3,336
Increase in convertible bond reserve	1,550	–	1,550

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the period ended 31st December 2006. The results of subsidiaries acquired or disposed of during the period are dealt with in the consolidated income statement from the dates of acquisition or to the dates of disposal respectively. All significant intra-group transactions and balances have been eliminated on consolidation.

Minority interests represent the results and net assets of the subsidiaries attributable to equity interests not owned, directly or indirectly, by the Company.

(c) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

(d) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in provision of products or services (business segment), or in provision of 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Segment reporting *(continued)*

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before inter-segment balances and inter-segment transactions are eliminated as part of the consolidation.

(e) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) all resulting exchange differences are recognised as a separate component of equity.

NOTES TO THE FINANCIAL STATEMENTS

For the eighteen months ended 31st December 2006

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Translation of foreign currencies *(continued)*

(iii) Group companies (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(f) Discontinued operation

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale.

(g) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less aggregate depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance, is charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of the asset.

Depreciation is calculated to write off the cost of assets less any estimated residual value, on a straight-line basis over their estimated useful lives as follows:–

Cruise ship	– 25 years
Furniture and equipment	– 5 years
Motor vehicles	– 5 years
Leasehold improvement	– 5 to 50 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gain or loss arising from the retirement or disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and is recognised in the income statement on the date of retirement or disposal.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries and jointly controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(i) Licence

Licence is stated at cost less accumulated amortisation and any impairment loss. Amortisation is calculated on a straight-line basis over its estimated useful life of 10 years.

(j) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(k) 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 price in the ordinary course of business less the estimated costs of selling expenses.

(l) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(m) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

For the eighteen months ended 31st December 2006

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Income tax *(continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(q) Employee benefits

Salaries, annual bonuses, annual leave entitlements and the cost to the Group of non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

Obligations for contributions to retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the People's Republic of China (the "PRC") central pension scheme, are recognised as an expense in the income statement as incurred.

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

NOTES TO THE FINANCIAL STATEMENTS

For the eighteen months ended 31st December 2006

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Provisions and contingent liabilities *(continued)*

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(s) Revenue recognition

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.

Revenue from sales of goods is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.

Rental income is recognised on a straight-line basis over the period of the respective leases.

Services fee income is recognised at the time when the services are rendered.

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

(t) Leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the periods of the respective leases.

(u) Related parties

An individual is related to the Company if the individual (i) has, directly or indirectly, control or joint control or significant influence over the Company, or (ii) is member of the key management personnel of the Company, or (iii) is a close member of the family of the individual referred to in (ii).

An entity is related to the Company if the entity (i) has, directly or indirectly, control or joint control or significant influence over the Company, or (ii) is controlled by or under common control with the Company, or (iii) is an associate or jointly controlled entity of the Company, or (iv) is controlled, jointly-controlled or significantly influenced by an individual related to the Company.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Recently issued accounting standards

The following Hong Kong Financial Reporting Standards in issue at 31st December 2006 have not been applied in the preparation of the consolidated financial statements for the year ended 31st December 2006 since they were not yet effective for the annual period beginning on 1st January 2006:–

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)–Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)–Int 8	Scope of HKFRS 2
HK(IFRIC)–Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)–Int 10	Interim Financial Reporting and Impairment

The Group is required to initially apply these standards in its annual consolidated financial statements beginning on 1st January 2007.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 2 to the financial statements, management had made the following estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements.

(i) Inventories

Note 2 to the financial statements describes that inventories are stated at the lower of cost and net realisable value. Net realisation value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses.

The Group does not have a general provisioning policy on inventory based on ageing given the nature of inventories that are not subject to frequent wear and tear and frequent technological changes. However, operational procedures have been in place to monitor this risk as majority of working capital is devoted to inventories. The sales and marketing managers review the inventory ageing listing on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the financial statements for any obsolete and slow-moving items. In addition, physical count on all inventories are carried out on a periodical basis in order to determine whether allowance need to be made in respect of any obsolete and defective inventories identified. In this regards, the directors of the Group are satisfied that this risk is minimal and adequate provision for obsolete and slow-moving inventories has been made in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the eighteen months ended 31st December 2006

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(a) Key sources of estimation uncertainty *(continued)*

(ii) Depreciation

The management determines the estimated useful lives and related depreciation of the property, plant and equipment as set out in note 2 to the financial statements. The estimate is based on projected lifecycles of the assets. Management will increase the depreciation expense where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using straight-line method.

(iii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was Nil after an impairment loss of HK$4,513,000 was recognised during the period. Details of the impairment loss calculation are provided in note 16 to the financial statements.

(b) Critical judgements

In the process of applying the Group's accounting policies, judgements that can significantly affect the amounts recognised in the financial statements are made in determining:–

(i) whether the significant risks and rewards of ownership of goods have been transferred to the buyer;

(ii) whether there is an indication of impairment of assets;

(iii) the expected manner of recovery of the carrying amount of assets;

(iv) the discount rates used to calculate the recoverable amount of goodwill and other assets for the purpose of impairment review; and

(v) the valuation method used to calculate the fair value of share options at the measurement date.

4. DISCONTINUED OPERATIONS

On 30th September 2006, the Company publicly announced that it has entered into a sale and purchase agreement with a third party on 25th September 2006 to dispose of its entire 100% direct equity interest in All Chance Resources Limited, and entire 100% indirect equity interest in Best Paradise Assets Limited ("Best Paradise"), China Golden Fountain Limited and Ming Fai Princess Entertainment Limited ("Ming Fai") and entire 51% indirect equity interest in Pacific Cruises (Hainan) Limited ("Pacific Cruises") (collectively known as the "Disposed Group") at a total consideration of HK$18,000,000. The Disposed Group is principally engaged in the provision of cruise and cruise-related business segment of the Group. Accordingly, certain comparative figures were restated so as to reflect the results for discontinued operations.

(a) The loss for the period/year from the discontinued operations is analysed as follows:–

	Note	**Period from 1.7.2005 to 31.12.2006** ***HK$'000***	Year ended 30.6.2005 *HK$'000*
(Loss)/profit of cruise and cruise-related business operation for the period/year		**(108,612)**	20,062
Loss on disposal of cruise and cruise-related business operation	*36*	**(43,883)**	–
		(152,495)	20,062

NOTES TO THE FINANCIAL STATEMENTS

For the eighteen months ended 31st December 2006

4. DISCONTINUED OPERATIONS *(Continued)*

(b) The results of the discontinued operations are as follows:–

	Note	**Period from 1.7.2005 to 31.12.2006 HK$'000**	Year ended 30.6.2005 HK$'000
Turnover	5	**15,000**	70,933
Cost of sales		**(13,540)**	(43,033)
Gross profit		**1,460**	27,900
Other revenue	5	**2,065**	2,814
Impairment loss of property, plant and equipment		**(108,775)**	–
General and administrative expenses		**(3,362)**	(10,652)
(Loss)/profit before income tax	7	**(108,612)**	20,062
Income tax expense		**–**	–
(Loss)/profit for the period/year from discontinued operations		**(108,612)**	20,062
Attributable to:			
Shareholders of the Company		**(83,618)**	9,822
Minority interests		**(24,994)**	10,240
		(108,612)	20,062

(c) The net cash flows of the discontinued operations are as follows:–

	Period from 1.7.2005 to 31.12.2006 HK$'000	Year ended 30.6.2005 HK$'000
Net cash (outflow)/inflow from operating activities	**(1,068)**	38,791
Net cash outflow from investing activities	**–**	(40,050)
Net cash outflow incurred by the discontinued operations	**(1,068)**	(1,259)

5. TURNOVER AND REVENUE

Turnover of continuing operations represents the invoiced value of goods sold less returns and discounts.

Turnover of discontinued operations represents 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.

An analysis of the Group's turnover and other revenue is as follows:–

	Period from 1.7.2005 to 31.12.2006 HK$'000	Year ended 30.6.2005 HK$'000
Turnover		
– Continuing operations	**105,405**	–
– Discontinued operations	**15,000**	70,933
	120,405	70,933
Other revenue		
– Continuing operations		
– Interest income	**99**	641
– Rental income	**3,358**	–
– Service fee income	**228**	–
– Exchange gain	**63**	–
– Others	**478**	–
	4,226	641
– Discontinued operations		
– Interest income	**565**	9
– 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 15(a) to these financial statements	**1,500**	2,500
– Others	**–**	305
	2,065	2,814
	6,291	3,455

NOTES TO THE FINANCIAL STATEMENTS

For the eighteen months ended 31st December 2006

6. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	Period from 1.7.2005 to 31.12.2006	Year ended 30.6.2005	**Period from 1.7.2005 to 31.12.2006**	Year ended 30.6.2005	**Period from 1.7.2005 to 31.12.2006**	Year ended 30.6.2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on borrowings wholly repayable within five years	**2,040**	881	**-**	–	**2,040**	881
Interest on convertible bond	**66**	–	**-**	–	**66**	–
Interest on promissory note	**199**	–	**-**	–	**199**	–
Bank charges	**1,079**	–	**-**	–	**1,079**	–
	3,384	881	**-**	–	**3,384**	881

7. (LOSS)/PROFIT BEFORE INCOME TAX

	Continuing operations		Discontinued operations		Consolidated	
	Period from 1.7.2005 to 31.12.2006 HK$'000	Year ended 30.6.2005 HK$'000	**Period from 1.7.2005 to 31.12.2006 HK$'000**	Year ended 30.6.2005 HK$'000	**Period from 1.7.2005 to 31.12.2006 HK$'000**	Year ended 30.6.2005 HK$'000
(Loss)/profit before income tax is arrived at after charging :-						
Auditor's remuneration						
– Current year	**440**	200	**-**	180	**440**	380
– Over-provision in prior year	**-**	(130)	**-**	–	**-**	(130)
	440	70	**-**	180	**440**	250
Staff costs, including directors' emoluments as set out in note 8 below :-						
– Salaries and other staff costs	**10,045**	3,031	**521**	7,684	**10,566**	10,715
– Pension scheme contributions	**529**	52	**4**	53	**533**	105
– Equity settled share-based payment expense	**3,336**	–	**-**	–	**3,336**	–
	13,910	3,083	**525**	7,737	**14,435**	10,820
Depreciation	**1,917**	40	**9,402**	7,238	**11,319**	7,278
Impairment loss of property, plant and equipment	**-**	–	**108,775**	–	**108,775**	–
Goodwill impairment charge	**1,711**	–	**2,802**	–	**4,513**	–
Amortisation of goodwill	**-**	–	**-**	1,410	**-**	1,410
Amortisation of other asset	**-**	–	**-**	4,000	**-**	4,000
Amortisation of intangible assets	**1,333**	–	**-**	–	**1,333**	–
Minimum lease payments under operating leases:-						
– Office premises	**5,543**	431	**-**	349	**5,543**	780
– Staff quarters included in staff costs as set out above	**203**	–	**-**	37	**203**	37
	5,746	431	–	386	**5,746**	817
Loss on disposal of property, plant and equipment	**4**	–	**-**	123	**4**	123
Provision for doubtful debts	**300**	–	**-**	–	**300**	–
Net exchange loss	**-**	7	**-**	22	**-**	29
and after crediting :-						
Interest income	**99**	641	**565**	9	**664**	650
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 15(a) to these financial statements	**-**	–	**1,500**	2,500	**1,500**	2,500
Net exchange gain	**63**	–	**-**	–	**63**	–

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For the eighteen months ended 31st December 2006

8. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors

The remuneration of each director for the period ended 31st December 2006 and the year ended 30th June 2005 are set out below:–

	Period ended 31st December 2006						
Name of director	**Fees**	**Salaries, allowances and other benefits in kind**	**Bonuses**	**Pension scheme contributions**	**Sub-total**	**Share based payment**	**Total**
	HK$'000	*HK$'000* *(note i)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(note i)*	*HK$'000*
Mr. Wu Yijian (Chairman)	–	–	–	–	–	–	–
Mr. Hu Yangxiong (Vice-chairman) *(note ii)*	15	970	–	6	991	326	1,317
Mr. Sean Liu *(note iii)*	–	400	–	6	406	–	406
Mr. Qin Chuan *(note iv)*	–	–	–	–	–	–	–
Mr. Chan Wing Yau, George *(note v)*	–	1,800	–	18	1,818	–	1,818
Mr. Cheng Koon Cheung *(note vi)*	–	–	–	–	–	–	–
Mr. Mo Keung *(note vii)*	–	–	–	–	–	–	–
Mr. Lam Chung Fai *(note viii)*	–	581	–	6	587	163	750
Mr. Chan Wai Kwong, Peter	111	–	–	–	111	–	111
Mr. Kwok Wing Wah	111	–	–	–	111	–	111
Mr. Paul Zhong *(note ix)*	–	–	–	–	–	–	–
Mr. Xiao Ming *(note x)*	66	–	–	–	66	–	66
	303	3,751	–	36	4,090	489	4,579

8. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors *(continued)*

	Year ended 31st December 2005						
Name of director	Fees	Salaries, allowances and other benefits in kind	Bonuses	Pension scheme contributions	Sub-total	Share based payment	Total
	HK$'000	*HK$'000* *(note i)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Wu Yijian (Chairman)	–	–	–	–	–	–	–
Mr. Sean Liu	–	784	–	12	796	–	796
Mr. Qin Chuan	–	–	–	–	–	–	–
Mr. Chan Wing Yau, George	–	870	–	12	882	–	882
Mr. Hu Yangxiong	–	–	–	–	–	–	–
Mr. Mo Keung	–	411	–	6	417	–	417
Mr. Chan Wai Kwong, Peter	45	–	–	–	45	–	45
Mr. Kwok Wing Wah	45	–	–	–	45	–	45
Mr. Paul Zhong	22	–	–	–	22	–	22
	112	2,065	–	30	2,207	–	2,207

Notes:

(i) Salaries, allowances and other benefits in kind included basic salaries, housing and other allowances and benefits in kind. The share based payment represents fair value at the date the share options were granted and accepted under the scheme amortised to the income statement during the period disregarding whether the options have been exercised or not.

(ii) Re-designated as an executive director on 28th March 2006.

(iii) Resigned on 15th January 2006.

(iv) Resigned on 28th March 2006.

(v) Resigned on 31st December 2006.

(vi) Appointed on 22nd December 2005 and resigned on 9th May 2006.

(vii) Appointed on 16th January 2006 and resigned on 8th January 2007.

(viii) Appointed on 18th May 2006.

(ix) Resigned on 12th July 2005.

(x) Appointed on 28th March 2006.

During the period ended 31st December 2006, 6,000,000 share options were granted to executive directors in respect of their services to the Group.

No directors waived any emolument during the period/year.

NOTES TO THE FINANCIAL STATEMENTS

For the eighteen months ended 31st December 2006

8. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

Among the five highest paid individuals of the Group, four (2005: three) are directors of the Company and the details of their remuneration have already been disclosed above.

The emoluments and designated band of the remaining one (2005: two) non-director, highest paid employee were as follows:–

	Period from 1.7.2005 to 31.12.2006 *HK$'000*	Year ended 30.6.2005 *HK$'000*
Salaries, allowances and other benefits in kind	**396**	1,014
Pension scheme contributions	**16**	12
Equity settled share-based payment expense	**81**	–
	493	1,026

The emoluments of that non-director, highest paid employee fell within the band of nil to HK$1,000,000.

During the period ended 31st December 2006, 1,000,000 share options were granted to the above one non-director, highest paid employee which have an option value approximately to HK$81,000. The options granted were valued by professional valuer at the date of grant and an amount of approximately HK$3,336,000 was charged to the staff costs in the current financial period over the vesting period.

During the period, no emoluments were paid by the Group to the five highest paid employees, including the director of the Company, as an inducement to join, or upon joining the Group.

9. INCOME TAX EXPENSE

	Continuing operations		**Discontinued operations**		**Consolidated**	
	Period from 1.7.2005 to 31.12.2006 *HK$'000*	Year ended 30.6.2005 *HK$'000*	**Period from 1.7.2005 to 31.12.2006 *HK$'000***	Year ended 30.6.2005 *HK$'000*	**Period from 1.7.2005 to 31.12.2006 *HK$'000***	Year ended 30.6.2005 *HK$'000*
Current tax:						
Provision for the period	**1,051**	–	**-**	–	**1,051**	–

9. INCOME TAX EXPENSE *(continued)*

(a) 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.

The subsidiary operated in the PRC is subject to PRC enterprise income tax at a rate of 33%.

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

Details of the deferred taxation are shown in note 29 to these financial statements.

(b) The income tax expense for the period/year can be reconciled to the (loss)/profit per income statement as follows:–

	Hong Kong		**PRC**		**Total**	
	Period from 1.7.2005 to 31.12.2006	Year ended 30.6.2005	**Period from 1.7.2005 to 31.12.2006**	Year ended 30.6.2005	**Period from 1.7.2005 to 31.12.2006**	Year ended 30.6.2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
(Loss)/profit before income tax						
Continuing operations	**(25,459)**	(7,647)	**2,809**	–	**(22,650)**	(7,647)
Discontinued operations	**(152,495)**	20,062	**-**	–	**(152,495)**	20,062
	(177,954)	12,415	**2,809**	–	**(175,145)**	12,415
Applicable tax rate (%)	**17.5**	17.5	**33**	33	**N/A**	N/A
Tax on (loss)/profit before income tax, calculated at the applicable tax rate	**(31,142)**	2,173	**927**	–	**(30,215)**	2,173
Tax effect of non-deductible expenses/ (non-taxable income) in determining taxable profit	**27,629**	(3,238)	**161**	–	**27,790**	(3,238)
Tax effect of unrecognised accelerated depreciation allowances	**9**	(2)	**(37)**	–	**(28)**	(2)
Tax effect of unrecognised tax losses	**3,504**	1,067	**-**	–	**3,504**	1,067
Income tax expense	**-**	–	**1,051**	–	**1,051**	–

NOTES TO THE FINANCIAL STATEMENTS

For the eighteen months ended 31st December 2006

10. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS

(Loss)/profit attributable to equity shareholders includes a loss of HK$78,042,000 (Year ended 30.6.2005: HK$13,696,000) which has been dealt with in the financial statements of the Company.

11. DIVIDENDS

The directors do not recommend the payment of dividends for the period ended 31st December 2006 (Year ended 30.6.2005: Nil).

12. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the period ended 31st December 2006 is based on the following data:–

	Period from 1.7.2005 to 31.12.2006 ***HK$'000***	Year ended 30.6.2005 *HK$'000*
(Loss)/earnings:		
(a) From continuing and discontinued operations		
(Loss)/profit for the period/year attributable to equity shareholders, used in the basic (loss)/earnings per share calculation	**(151,202)**	2,175
(b) From continuing operations		
Loss for the period/year from continuing operations attributable to equity shareholders, used in the basic loss per share calculation	**(23,701)**	(7,647)
(c) From discontinued operations		
(Loss)/profit for the period/year from discontinued operations attributable to equity shareholders, used in the basic (loss)/earnings per share calculation	**(127,501)**	9,822

12. (LOSS)/EARNINGS PER SHARE *(continued)*

	Period from 1.7.2005 to 31.12.2006	Year ended 30.6.2005
Number of ordinary shares:		
Weighted average number of ordinary shares in issue during the period/year used in the basic (loss)/earnings per share calculations	**446,253,759**	409,222,500

The exercise of the outstanding share options has no dilutive effect for the period ended 31st December 2006 and the year ended 30th June 2005 because the exercise price of the Company's share options was higher than the average market price of the shares during the period/year.

The convertible bond has no dilutive effect for the period ended 31st December 2006 and the year ended 30th June 2005.

13. RETIREMENT BENEFIT COSTS

Since 1st December 2000, the Group had joined a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all eligible employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with rules of MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group's contribution to such scheme for the period ended 31st December 2006 amounted to approximately HK$103,000 (Year ended 30.6.2005: HK$105,000).

The Company's subsidiaries in the PRC have participated in a central pension scheme. Contributions are made by the subsidiaries to the scheme based on a percentage of the applicable payroll costs. The Group has no obligation other than the above-mentioned contributions.

The Group's contribution to the state-sponsored retirement plan for the period ended 31st December 2006 amounted to approximately HK$430,000 (Year ended 30.6.2005: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the eighteen months ended 31st December 2006

14. PROPERTY, PLANT AND EQUIPMENT

The Group	Cruise ship HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Leasehold improvement HK$'000	Total HK$'000
Cost:–					
As at 1st July 2004	200,036	1,914	1,001	–	202,951
Additions	–	218	–	–	218
Disposals	–	(259)	(1,001)	–	(1,260)
As at 30th June 2005	200,036	1,873	–	–	201,909
Accumulated depreciation:–					
As at 1st July 2004	22,179	888	269	–	23,336
Charge for the year	6,806	373	99	–	7,278
Disposals	–	(161)	(368)	–	(529)
As at 30th June 2005	28,985	1,100	–	–	30,085
Carrying amount:–					
As at 30th June 2005	171,051	773	–	–	171,824
Cost:–					
As at 1st July 2005	200,036	1,873	–	–	201,909
Exchange difference	–	117	–	1,402	1,519
Acquisition of subsidiaries	–	2,935	–	35,035	37,970
Additions	–	440	–	42	482
Disposals	–	(90)	–	(189)	(279)
Disposals of subsidiaries	(200,036)	(1,622)	–	–	(201,658)
As at 31st December 2006	**–**	**3,653**	**–**	**36,290**	**39,943**
Accumulated depreciation:–					
As at 1st July 2005	28,985	1,100	–	–	30,085
Charge for the period	8,776	1,257	–	1,286	11,319
Written back on disposals	–	(34)	–	(96)	(130)
Disposals of subsidiaries	(37,761)	(1,622)	–	–	(39,383)
As at 31st December 2006	**–**	**701**	**–**	**1,190**	**1,891**
Impairment loss:–					
Charge for the period	108,775	–	–	–	108,775
Disposals of subsidiaries	(108,775)	–	–	–	(108,775)
As at 31st December 2006	–	–	–	–	–
Carrying amount:–					
As at 31st December 2006	**–**	**2,952**	**–**	**35,100**	**38,052**

The Cruise Ship was acquired by the Group on 28th June 2002 in connection with the acquisition of a 51% equity interest of Pacific Cruises. The last valuation of HK$53,500,000 of the Cruise Ship was performed by BMI Appraisals Limited, an independent qualified valuers, on 30th September 2006 on an open market value basis.

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Company	Furniture and equipment HK$'000
Cost:–	
Additions during the year and as at 30th June 2005	50
Accumulated depreciation:–	
Charge for the year and as at 30th June 2005	3
Carrying amount:–	
As at 30th June 2005	47
Cost:–	
As at 1st July 2005 and 31st December 2006	**50**
Accumulated depreciation:–	
As at 1st July 2005	3
Charge for the period	47
As at 31st December 2006	**50**
Carrying amount:–	
As at 31st December 2006	**–**

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For the eighteen months ended 31st December 2006

15. LOAN RECEIVABLES/OTHER ASSETS

	As at 31.12.2006 ***HK$'000***	As at 30.6.2005 *HK$'000*
Right in respect of being entitled to share 20% of the net profits of the gaming facilities of the Cruise Ship, at cost *(notes 15(a), (b) and (c))*	**–**	40,000
Less: Amortisation for the period/year	**–**	(4,000)
	–	36,000
Reclassified to loan receivables	**36,000**	(36,000)
	36,000	–
Less: Received during the period/year	**(6,000)**	–
	30,000	–
Less: Receivable within one year	**(10,000)**	–
Non-current portion	**20,000**	–

Notes:

(a) On 28th December 2004, Ming Fai entered into an agreement (the "Agreement") with Anglo View Limited (the "Licensee") and Mr. Cai Jun Jie who is the sole legal and beneficial owner of the Licensee. Pursuant to the Agreement, Ming Fai has paid HK$40,000,000 (the "Consideration") to the Licensee in consideration of the Licensee undertakes with Ming Fai that it shall pay to Ming Fai 20% of the net profits of the gaming facilities of the Cruise Ship for a period of 5 years commencing on 1st January 2005. The aforesaid share of profits shall be payable semi-annually. The Licensee guarantees to Ming Fai that the aforesaid share of annual profits in the two years ended 31st December 2006 shall not be less than HK$5,000,000 each and the aforesaid share of annual profits in the three years ending 31st December 2009 shall not be less than HK$10,000,000 each.

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

(b) On 7th October 2005, Ming Fai entered into a supplemental agreement (the "Supplemental Agreement") with the Licensee whereby Ming Fai agreed with the Licensee to give up its right to the profits sharing arrangement under the Agreement dated 28th December 2004 as detailed in note 15(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 ended 31st 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 31st December 2009.

(c) On 25th September 2006, Ming Fai, Bright Chance (Asia) Limited ("Bright Chance") and Mr. Cai Jun Jie entered into a loan assignment agreement. Pursuant to the loan assignment agreement, Ming Fai agreed to assign all its rights and benefits in the loan receivables balance of HK$30,000,000 to Bright Chance at a total consideration of HK$30,000,000. The loan receivables balance is interest-bearing at 2% per annum and the repayments will be made semi-annually in the amount of HK$5,100,000 (including repayment of the principal in the amount of HK$5,000,000) for the six half-years ending 31st December 2009.

(d) The directors consider that there is no impairment in value on the carrying value of such asset as at 31st December 2006.

16. GOODWILL

	HK$'000
Cost:–	
As at 30th June 2004 and 30th June 2005	7,052
Accumulated amortisation:–	
As at 1st July 2004	2,840
Amortisation for the year	1,410
As at 30th June 2005	4,250
Carrying amount:–	
As at 30th June 2005	2,802
Cost:–	
As at 1st July 2005	7,052
Elimination of accumulated amortisation prior to the adoption of HKFRS 3	(4,250)
	2,802
Arising on acquisition of subsidiaries *(note 35)*	1,711
As at 31st December 2006	**4,513**
Accumulated amortisation:–	
As at 1st July 2005	4,250
Elimination of accumulated amortisation prior to the adoption of HKFRS 3	(4,250)
As at 31st December 2006	**–**
Impairment loss:–	
Charge for the period and as at 31st December 2006	**4,513**
Carrying amount:–	
As at 31st December 2006	**–**

NOTES TO THE FINANCIAL STATEMENTS

For the eighteen months ended 31st December 2006

16. GOODWILL *(continued)*

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:–

	As at 31.12.2006 *HK$'000*	As at 30.6.2005 *HK$'000*
Cruise and cruise-related business *(note 16(a))*	**2,802**	2,802
Operation of a department store *(note 16(b))*	**1,711**	–
	4,513	2,802

Notes:

(a) The goodwill was related to the acquisition of the entire 100% equity interest in Best Paradise and its 51% indirect equity interest in Pacific Cruises.

(b) The goodwill was related to the acquisition of Silver Light Group as mentioned in note 35 to financial statements.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Before impairment testing, goodwill of HK$2,802,000 and HK$1,711,000 was allocated to cruise and cruise-related business CGU and operation of a department store CGU respectively. Due to the discontinued operation of the cruise and cruise-related business and increased competition in the market of department store business during the period, an impairment loss of HK$4,513,000 was recognised during the period.

17. INTANGIBLE ASSETS

	Licence *HK$'000*
Cost:–	
Acquisition of subsidiaries	17,204
Exchange difference	688
As at 31st December 2006	**17,892**
Accumulated amortisation:–	
Charge for the period and as at 31st December 2006	**1,333**
Carrying amount:–	
As at 31st December 2006	**16,559**

18. INTERESTS IN SUBSIDIARIES

	The Company	
	As at 31.12.2006 ***HK$'000***	As at 30.6.2005 *HK$'000*
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries	**98,369**	142,699
Amount due to a subsidiary	**(2,193)**	(50)
	96,177	142,650
Impairment losses	**(19,000)**	(12,619)
	77,177	130,031

The amounts due from/(to) subsidiaries were interest-free, unsecured 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 31st December 2006.

NOTES TO THE FINANCIAL STATEMENTS

For the eighteen months ended 31st December 2006

18. INTERESTS IN SUBSIDIARIES *(continued)*

Details of the subsidiaries as at 31st December 2006 are as follows:–

Name	Place of incorporation/ establishment and operation	Particulars of issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Bright Chance (Asia) Limited	Hong Kong	HK$1,000	100%	–	Provision of administrative services
China King Management Limited	Hong Kong	HK$1	100%	–	Investment holding
Xian Century Ginwa Property Investments Company Limited	People's Republic of China	HK$18,500,000	–	100%	Investment holding
Century Ginwa Urumqi Shopping Mall (H.K.) Limited	Hong Kong	HK$10	–	100%	Investment holding
Century Ginwa Urumqi Shopping Mall Company Limited	People's Republic of China	RMB50,000,000	–	100%	Operation of a shopping mall

19. INVENTORIES

	As at 31.12.2006 *HK$'000*	As at 30.6.2005 *HK$'000*
Finished goods	**3,014**	–

20. TRADE RECEIVABLES

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

	As at 31.12.2006 *HK$'000*	As at 30.6.2005 *HK$'000*
Aged for:		
0 to 30 days	**–**	2,500
31 to 60 days	**–**	–
61 to 90 days	**–**	–
Over 90 days	**–**	13,900
	–	16,400

21. PREPAYMENTS AND OTHER RECEIVABLES

Details of prepayments and other receivables are as follows:–

	The Group		The Company	
	As at 31.12.2006 HK$'000	As at 30.6.2005 HK$'000	**As at 31.12.2006 HK$'000**	As at 30.6.2005 HK$'000
Amount due from a minority shareholder of a subsidiary	**–**	2,405	**–**	–
Deposits	**1,035**	182	**155**	–
Prepayments	**741**	164	**217**	109
Receivables from banks for credit card sales	**843**	–	**–**	–
Other receivables	**1,582**	2,404	**–**	–
	4,201	5,155	**372**	109

22. AMOUNT DUE FROM A RELATED COMPANY

The amount represents an amount due from a related company in which Mr. Wu Yijian, a director of Company, has indirect controlling interests. Details disclosed pursuant to Section 161B of the Hong Kong companies Ordinance as follows:–

	Balance outstanding		
	As at 1.7.2005 HK$'000	**Maximum outstanding during the period HK$'000**	**As at 31.12.2006 HK$'000**
Century Ginwa Joint Stock Company Limited ("Century Ginwa")	–	**13,364**	**13,364**

The amount is interest-free, unsecured and without fixed terms of repayment. The directors consider the carrying amount of the amount due from a related company approximates its fair value. The amount finally ceased to exist as mentioned in note 42 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the eighteen months ended 31st December 2006

23. AMOUNT DUE FROM A SHAREHOLDER

The amount is interest-free, unsecured and repayable on demand. The directors consider the carrying amount of amount due from a shareholder approximates its fair value.

24. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	As at 31.12.2006 HK$'000	As at 30.6.2005 HK$'000	**As at 31.12.2006 HK$'000**	As at 30.6.2005 HK$'000
Cash and bank deposits denominated in RMB	**3,660**	–	**–**	–
Cash and bank deposits denominated in HK$	**14,034**	1,319	**3,764**	–
Cash and bank deposits denominated in other currencies	**2**	–	**2**	2
	17,696	1,319	**3,766**	2

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

25. INTEREST-BEARING BORROWINGS

	As at 31.12.2006 HK$'000	As at 30.6.2005 HK$'000
Secured guaranteed floating rate notes wholly repayable within one year	**–**	16,478
Portion classified as current liabilities	**–**	(16,478)
Non-current portion	**–**	–

The Floating Rate Notes are interest bearing at the rate equivalent to one month LIBOR plus a margin of 1.5% per annum. The Company has fully settled all the outstanding balance of the Floating Rate Notes on 22nd August 2006. The redeemed Definitive Certificates have been returned to the Company on 17th January 2007.

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.

26. TRADE PAYABLES

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

	As at 31.12.2006 HK$'000	As at 30.6.2005 HK$'000
Aged for:		
0 to 30 days	**13,028**	–
31 to 60 days	**3,710**	–
61 to 90 days	**2,314**	–
91 to 180 days	**2,379**	–
	21,431	–

27. ACCRUALS AND OTHER PAYABLES

Details of accruals and other payables are as follows:–

	The Group		**The Company**	
	As at 31.12.2006 HK$'000	As at 30.6.2005 HK$'000	**As at 31.12.2006 HK$'000**	As at 30.6.2005 HK$'000
Payroll and welfare payables	**1,096**	417	**66**	–
Customers' deposits	**10,270**	–	**–**	–
Other tax payables	**826**	820	**–**	–
Deposits received	**388**	–	**–**	–
Other payables	**6,588**	1,087	**1,163**	908
	19,168	2,324	**1,229**	908

NOTES TO THE FINANCIAL STATEMENTS

For the eighteen months ended 31st December 2006

28. AMOUNTS DUE TO DIRECTORS

The amounts are interest-free, unsecured and fully repaid during the year.

29. DEFERRED TAXATION

The components of unrecognised deductible/(taxable) temporary differences are as follows:–

	The Group		The Company	
	As at 31.12.2006 *HK$'000*	As at 30.6.2005 *HK$'000*	**As at 31.12.2006 *HK$'000***	As at 30.6.2005 *HK$'000*
Deductible temporary differences:				
Unutilised tax losses	**40,482**	20,460	**21,142**	8,788
General provision	**492**	–	**–**	–
Decelerated depreciation allowances	**4,916**	–	**6**	–
	45,890	20,460	**21,148**	8,788
Taxable temporary differences:				
Accelerated depreciation allowance	**–**	(116)	–	(39)
Convertible bond	**(1,550)**	–	**(1,550)**	–
	(1,550)	(116)	**(1,550)**	(39)
	44,340	20,344	**19,598**	8,749

Notes:

(a) Deductible temporary differences have not been recognised owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences. All unutilised tax losses can be carried forward indefinitely.

(b) Taxable temporary differences have not been recognised owing to the immateriality.

30. SHARE CAPITAL

	Note	Number of ordinary shares of HK$0.1 each	Amount
			HK$'000
Authorised:			
As at 1st July 2004 and 30th June 2005		1,000,000,000	100,000
Increase in authorised share capital	*(a)*	1,000,000,000	100,000
As at 31st December 2006		**2,000,000,000**	**200,000**
Issue and fully paid:			
As at 1st July 2004 and 30th June 2005		409,222,500	40,922
Issue of shares upon placing of shares	*(b)*	73,660,000	7,366
Issue of shares upon the exercise of share options	*(c)*	8,184,450	818
As at 31st December 2006		**491,066,950**	**49,106**

Notes:

(a) Pursuant to an ordinary resolution passed on 29th August 2006, the authorised share capital of the Company was increased to HK$200,000,000 by the creation of an additional 1,000,000,000 ordinary shares of HK$0.1 each, ranking pari passu with the existing ordinary shares of the Company in all respects.

(b) On 27th April 2006, 73,660,000 new shares of HK$0.1 each were issued at a premium of HK$0.36 per share upon the placing arrangement. The excess of the issue price over the par value of the shares amounted to approximately HK$25,804,000 was credited to the share premium account of the Company.

(c) On 3rd May 2006, 8,184,450 new shares of HK$0.1 each were allotted and issued at a premium of HK$0.26 per share upon the exercise of 8,184,450 share options granted under the share option scheme (the "Scheme") as mentioned in note 31 to the financial statements. The excess of the issue price over the par value of the shares amounted to approximately HK$2,128,000 was credited to the share premium account of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the eighteen months ended 31st December 2006

31. SHARE OPTIONS

The Company operates a 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 6th 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 6th 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 ("SGM") of the Company held on 15th June 2004 and further refreshed by 40,922,250 shares at the SGM of the Company held on 12th April 2006. 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 6th 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 closing price 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).

31. SHARE OPTIONS *(continued)*

(a) Detailed of movements of share options granted under the Scheme during the period are as follows:–

Name of category/ participant	Date of grant	Exercise period	Exercise price HK$	Number of share options: Outstanding as at 1st July 2005	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding as at 31st December 2006
Director								
Chan Wing Yau, George	23rd February 2004	23rd February 2004 to 22nd February 2009	0.540	4,092,225	–	–	(4,092,225)	–
Hu Yangxiong	25th May 2006	25th May 2006 to 25th May 2008	0.450	–	4,000,000	–	–	4,000,000
Lam Chung Fai	25th May 2006	25th May 2006 to 25th May 2008	0.450	–	2,000,000	–	–	2,000,000
Employees	24th February 2004	24th March 2004 to 23rd March 2009	0.540	2,046,113	–	–	(2,046,113)	–
	24th February 2004	24th August 2004 to 23rd August 2009	0.540	2,046,112	–	–	(2,046,112)	–
	26th March 2004	26th March 2004 to 25th March 2009	0.463	4,092,225	–	–	(4,092,225)	–
	25th May 2006	25th May 2006 to 25th May 2008	0.450	–	26,922,250	–	–	26,922,250

NOTES TO THE FINANCIAL STATEMENTS

For the eighteen months ended 31st December 2006

31. SHARE OPTIONS *(continued)*

Name of category/ participant	Date of grant	Exercise period	Exercise price *HK$*	Number of share options: Outstanding as at 1st July 2005	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding as at 31st December 2006
Consultants	23rd February 2004	23rd February 2004 to 22nd February 2009	0.540	4,092,225	–	–	–	4,092,225
	26th March 2004	26th March 2004 to 25th March 2009	0.463	12,276,675	–	–	–	12,276,675
	10th November 2004	10th November 2004 to 9th November 2009	0.360	8,184,450	–	(8,184,450)	–	–
	25th May 2006	25th May 2006 to 25th May 2008	0.450	–	8,000,000	–	–	8,000,000
				36,830,025	40,922,250	(8,184,450)	(12,276,675)	57,291,150

31. SHARE OPTIONS *(continued)*

(b) The number and weighted average exercises prices of share options are as follows:–

	Period from 1.7.2005 to 31.12.2006		Year ended 30.6.2005	
	Weighted average exercise price	**Number of share options**	Weighted average exercise price	Number of share options
	HK$		*HK$*	
Outstanding as at the beginning of the period/year	**0.466**	**36,830,025**	0.502	32,737,800
Granted during the period/year	**0.450**	**40,922,250**	0.360	8,184,450
Exercised during the period/year	**0.360**	**(8,184,450)**	–	–
Forfeited during period/year	**0.514**	**(12,276,675)**	0.540	(4,092,225)
Outstanding as at the end of the period/year	**0.459**	**57,291,150**	0.466	36,830,025
Exercisable as at the end of the period/year	**0.459**	**57,291,150**	0.466	36,830,025

NOTES TO THE FINANCIAL STATEMENTS

For the eighteen months ended 31st December 2006

31. SHARE OPTIONS *(continued)*

(c) Fair value of share options granted during the period/year:–

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share option granted is measured based on Black-Scholes option pricing model.

	Period from 1.7.2005 to 31.12.2006	Year ended 30.6.2005
Fair value at measurement date	**HK$3,336,000**	N/A
Share price	**HK$0.32**	N/A
Exercise price	**HK$0.45**	N/A
Expected volatility	**95%**	N/A
Expected dividend	**Nil**	N/A
Risk-free interest rate	**4.32%**	N/A

The expected volatility is based on the historic volatility (calculated based on the expected life of the share options), adjusted for any expected changes to future volatility due to public available information. Expected dividends are based on historical dividends. Changes in subjective input assumptions could materially affect the fair value estimate. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants. However, the management has taken into consideration of historical staff turnover pattern for the estimation of expected option life.

32. RESERVES

The Group	Share premium HK$'000	Capital reserve HK$'000 (note a)	Share option reserve HK$'000	Convertible bond reserve HK$'000	Exchange reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
As at 1st July 2004	43,973	49,886	–	–	1,008	36,713	131,580
Profit for the year	–	–	–	–	–	2,175	2,175
As at 30th June 2005	43,973	49,886	–	–	1,008	38,888	133,755
As at 1st July 2005	43,973	49,886	–	–	1,008	38,888	133,755
Placing of shares	25,804	–	–	–	–	–	25,804
Exercise of share options	2,128	–	–	–	–	–	2,128
Grant of share options	–	–	3,336	–	–	–	3,336
Issuance of convertible bond	–	–	–	1,550	–	–	1,550
Disposal of interests in subsidiaries	–	–	–	–	(1,008)	–	(1,008)
Exchange difference arising from translation of financial statements of a foreign subsidiary	–	–	–	–	1,444	–	1,444
Loss for the period	–	–	–	–	–	(151,202)	(151,202)
As at 31st December 2006	**71,905**	**49,886**	**3,336**	**1,550**	**1,444**	**(112,314)**	**15,807**

The Company	Share premium HK$'000	Contributed surplus HK$'000 (note b)	Share option reserve HK$'000	Convertible bond reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1st July 2004	43,973	49,886	–	–	(20,282)	73,577
Loss for the year	–	–	–	–	(13,696)	(13,696)
As at 30th June 2005	43,973	49,886	–	–	(33,978)	59,881
As at 1st July 2005	43,973	49,886	–	–	(33,978)	59,881
Placing of shares	25,804	–	–	–	–	25,804
Exercise of share options	2,128	–	–	–	–	2,128
Grant of share options	–	–	3,336	–	–	3,336
Issuance of convertible bond	–	–	–	1,550	–	1,550
Loss for the period	–	–	–	–	(78,042)	(78,042)
As at 31st December 2006	**71,905**	**49,886**	**3,336**	**1,550**	**(112,020)**	**14,657**

NOTES TO THE FINANCIAL STATEMENTS

For the eighteen months ended 31st December 2006

32. RESERVES *(continued)*

Notes:

(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 28th 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.

33. CONVERTIBLE BOND

On 16th May 2006, a convertible bond in the principal amount of HK$10 million was issued as partial consideration for acquisition of Silver Light Group as mentioned in note 39(b)(i) to the financial statements.

The convertible bond is due and mature at the end of the two year's period after 4th May 2006. The Company shall repay the principal amount outstanding under the convertible bond to the bondholder(s) on the maturity date. The convertible bond is interest bearing at 1% per annum. The bondholders shall have the right to convert the convertible bond at any time following one year after the date of issue of the convertible bond at the initial conversion price of HK$0.624 per share (subject to the standard adjustment clause relating to the share sub-division, share consolidation and/or rights issues).

The fair value of the liability component, included in long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in convertible bond reserve net of deferred income taxes.

The convertible bond recognised in the balance sheet is calculated as follows:–

	The Group and the Company	
	As at 31.12.2006	As at 30.6.2005
	HK$'000	*HK$'000*
Face value of convertible bond on the date of issue	**10,000**	–
Equity component	**1,550**	–
Liability component on initial recognition	**8,450**	–
Interest charged	**66**	–
Interest paid	**–**	–
Liability component	**8,516**	–

33. CONVERTIBLE BOND *(continued)*

The directors estimate the fair value of the liability component of the convertible bond at 31st December 2006 amounted to approximately HK$8,450,000. This fair value has been calculated using cash flows discounted at a rate based on the borrowing rate of 9.79%.

Interest expense on the bonds is calculated using the effective interest method by applying the effective interest rate of 9.79% to the liability component.

As mentioned in note 42 to the financial statements, HK$9,000,000 (fair value) out of the HK$10,000,000 was set-off and cancelled after the balance sheet date.

34. PROMISSORY NOTE

	The Group and the Company	
	As at 31.12.2006 *HK$'000*	As at 30.6.2005 *HK$'000*
Amount payable for acquisition of Silver Light Group	**15,000**	–
Adjustment for non-attainment of guaranteed profit *(note 39(b)(i))*	**(2,193)**	–
	12,807	–
Amount payable within one year	**–**	–
Non-current portion	**12,807**	–

On 16th May 2006, a promissory note in the principal amount of HK$30 million was issued as partial consideration for acquisition of Silver Light Group as mentioned in note 39(b)(i) to the financial statements. During the period, HK$15 million has been repaid. The promissory note is due and repayable two year's after 4th May 2006 and interest bearing at 2% per annum.

NOTES TO THE FINANCIAL STATEMENTS

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35. BUSINESS COMBINATION

On 4th May 2006, the Group acquired entire 100% equity interest of Silver Light Group as mentioned in note 39(b)(i) to the financial statements. The acquired business contributed revenues of approximately HK$109,487,000 and net profit of approximately HK$1,660,000 to the Group for the period from 4th May 2006 to 31st December 2006.

The assets and liabilities arising from the acquisition are as follows:–

	As at 4.5.2006	As at 30.6.2005
	HK$'000	*HK$'000*
Cash and cash equivalents	**2,507**	–
Property, plant and equipment	**37,970**	–
Intangible assets	**17,204**	–
Inventories	**3,318**	–
Amount due from a related company	**10,444**	–
Prepayments and other receivables	**7,990**	–
Trade payables	**(23,131)**	–
Accruals and other payables	**(20,206)**	–
Net assets acquired	**36,096**	–
Goodwill arising on acquisition *(note 16)*	**1,711**	–
Total purchase consideration	**37,807**	–
Convertible bond *(note 33)*	**(10,000)**	–
Promissory note *(note 34)*	**(30,000)**	–
Adjustment for non-attainment of guaranteed profit *(note 39(b)(i))*	**2,193**	–
Cash and cash equivalents in subsidiaries acquired	**2,507**	–
Net cash inflow on acquisition of subsidiaries	**2,507**	–

36. DISPOSAL OF SUBSIDIARIES

On 25th September 2006, the Group disposed of the Disposal Group as mentioned in note 4 to the financial statements.

The assets and liabilities arising from the disposal are as follows:–

	As at 25.9.2006 *HK$'000*	As at 30.6.2005 *HK$'000*
Property, plant and equipment *(note 14)*	**53,500**	–
Trade receivables	**10,993**	–
Other receivables	**2,210**	–
Cash and cash equivalents	**2**	–
Tax payable	**(814)**	–
Deposits received	**(3,000)**	–
Net assets disposed	**62,891**	–
Loss on disposal of subsidiaries	**(43,883)**	–
Exchange reserve realised	**(1,008)**	–
Total consideration	**18,000**	–
Cash and cash equivalents in subsidiaries disposed	**(2)**	–
Net cash inflow on disposal of subsidiaries	**17,998**	–

37. OPERATING LEASE ARRANGEMENTS

(a) The Group as lessee

As at 31st December 2006, the Group had total future minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:–

	As at 31.12.2006 *HK$'000*	As at 30.6.2005 *HK$'000*
Within one year	**7,782**	477
In the second to fifth years inclusive	**29,576**	43
After five years	**79,200**	–
	116,558	520

Operating leases payments represent rentals payable by the Group for its office premises, shopping mall and director quarters. Leases are negotiated for a term range from two to eighteen years with fixed monthly rental charges.

NOTES TO THE FINANCIAL STATEMENTS

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37. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) The Group as lessor

As at 31st December 2006, the Group had contracted with licensee to receive the following future minimum leases payments in respect of the shopping areas in the shopping mall under non-cancellable operating leases:–

	As at 31.12.2006 ***HK$'000***	As at 30.6.2005 *HK$'000*
Within one year	**4,286**	18,000
In the second to fifth years inclusive	**15,095**	16,500
After five years	**2,399**	–
	21,780	34,500

Operating leases payments represent rentals receivable by the Group for its shopping areas in the shopping mall. Leases are negotiated for a term range from one to eight years with fixed monthly rental income. Certain leases contain a contingent rental element.

38. CONTINGENT LIABILITIES

As at 31st December 2006, the Group and the Company had no contingent liabilities.

39. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) Particulars of significant transactions between the Group and related parties during the period/year are as follows:–

	Period from 1.7.2005 to 31.12.2006 ***HK$'000***	Year ended 30.6.2005 *HK$'000*
Rental expenses paid to the spouse of a minority shareholder of a subsidiary *(note)*	**–**	311
Sales proceeds received from a minority shareholder of a subsidiary in respect of disposing certain assets *(note)*	**–**	444

Note:

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

39. CONNECTED AND RELATED PARTY TRANSACTIONS *(continued)*

(b) The details of connected transactions of the Group during the period/year under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") are as follows:–

(i) On 16th February 2006, the Company entered into a conditional sale and purchase agreement ("Acquisition Agreement") with Mr. Guo Qiang and Mr. Li Hao Gang, who were the vendors of Silver Light Group Limited ("SLGL"), in relation to the acquisition of the entire 100% equity interest of SLGL, its direct wholly-owned subsidiary, Century Ginwa Urumqi Shopping Mall (H.K.) Limited ("Ginwa HK") and its indirect wholly-owned subsidiary, Century Ginwa Urumqi Shopping Mall Company Limited ("Ginwa Urumqi") (collectively known as the "Silver Light Group") at an aggregate consideration of HK$40 million, which will be satisfied with: (a) a HK$30 million promissory note which is interest bearing at 2% per annum and due and repayable two years after 4th May 2006 (the "Completion Date"); and (b) a HK$10 million convertible bond which is interest bearing at 1% per annum and to mature at the end of two years after the Completion Date and can be converted at a conversion price of HK$0.624 per share at any time following one year after the date of issue (the "Acquisition"). Ginwa Urumqi, an indirect wholly-owned subsidiary of SLGL, is principally engaged in the operation of "Century Ginwa" branded department store in Urumqi, the PRC. The vendors have given an irrevocable profit guarantee to the Company that the audited profit before income tax of Ginwa Urumqi for the financial years ending 31st December 2006 and 2007 in aggregate be not less than RMB14 million (RMB5 million for the first year and RMB9 million for the second year). The vendors will compensate by reducing the principal sum of the promissory note due from the Company on a dollar to dollar basis if the said profit in aggregate is less than RMB14 million. During the period, guaranteed profit of approximately HK$2,193,000 was provided. As Mr. Wu Yijian, the Chairman of the Company, is the elder brother of Mr. Guo Qiang, Mr. Guo is deemed as a connected person of the Company under the Listing Rules and the Acquisition constituted a connected transaction for the Company under the Listing Rules. This connected transaction was approved in the SGM held on 12th April 2006. The Acquisition was completed on 4th May 2006.

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39. CONNECTED AND RELATED PARTY TRANSACTIONS *(continued)*

(b) The details of connected transactions of the Group during the period/year under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") are as follows:– *(continued)*

(ii) On 13th June 2006, the Company entered into a Share Acquisition Agreement ("the Agreement") with Best Mineral Resources Limited ("BMRL"), the Company's controlling shareholder, China King Management Limited ("China King") and Xian Century Ginwa Property Investments Company Limited ("Xian Century"), a wholly-owned subsidiary of China King established in the PRC, in relation to the acquisition of the entire issued share capital of China King, at a nominal consideration of HK$1. On the same date, BMRL, China King, Ginwa Investment Company Limited ("Ginwa Investment") and Shannxi Century Ginwa Hi-Tech Shopping Centre Company Limited ("Ginwa Hi-Tech") entered into the Properties Acquisition Agreement pursuant to which China King agreed to acquire the properties from Ginwa Hi-Tech at a total consideration of HK$245 million and Xian Century and Ginwa Hi-Tech entered into the Business Assets Acquisition Agreement pursuant to which Xian Century agreed to acquire the business assets of Ginwa Hi-Tech at a cash consideration of HK$11.4 million. According to the Agreement, upon completion of share placement by the Company, China King would become a wholly-owned subsidiary of the Company, which would partially settle the total consideration HK$256.40 million of the properties and the business assets. Xian Century was expected to be granted licence to operate department store business in the PRC following completion of the relevant agreements. For the acquisition of properties, China King would, from a HK$91 million loan provided by the Company, pay HK$65 million to the vendor. BMRL would issue a promissory note of HK$180 million to the vendor of the properties for China King, and accordingly the Company would issue such number of new shares ("Consideration Shares") equivalent to HK$175 million in addition to a cash payment of HK$5 million already made to BMRL as a refundable deposit. This would trigger a mandatory general offer obligation on BMRL because its shareholding would be increased from 30.36% to 51.54% based on the minimum placing price of HK$0.32 per share. The Securities and Futures Commission of Hong Kong agreed to grant a whitewash waiver if the shareholders approve the transaction. As BMRL is a Company's controlling shareholder and hence a connected person of the Company under the Listing Rules and the Agreement constituted a connected transaction for the Company under the Listing Rules. All of these connected transaction, very substantial acquisition, continuing connected transactions, placing and whitewash waiver application were approved in the SGM held on 29th August 2006. After the completion, the Company could ultimately own the properties through China King and hence, the Group would be engaged in the department store business in Xian, the PRC through Xian Century. However, the transaction lapsed as the placing of shares by the Company was not completed by the long stop date of 30th September 2006 because the Company could not reach an agreement with potential investors on the final placing price. For the refundable deposit, BMRL had signed a commitment document to pay HK$5 million to Century Ginwa on behalf of the Group as rental payment for the Tenancy Agreement II as stated in note 39(b)(iii) below after its completion.

39. CONNECTED AND RELATED PARTY TRANSACTIONS *(continued)*

(b) The details of connected transactions of the Group during the period/year under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") are as follows:– *(continued)*

(iii) On 10th November 2006, Xian Century, the newly acquired wholly-owned subsidiary of the Group, as purchaser entered into an Assets Acquisition Agreement with Ginwa Hi-Tech as vendor, in relation to the purchase of certain assets owned by Ginwa Hi-Tech, for the operation of department store business at the 1st to 4th floors of Shu Ma Da Sha of International Commercial Centre in Xian, the PRC ("Shopping Floors") at a consideration of approximately RMB127,000 payable at cash after taking up obligations to pay suppliers in the amount of approximately RMB13,981,000 on completion. On the same date, Xian Century also entered into Tenancy Agreement I with Ginwa Hi-Tech and Tenancy Agreement II with Century Ginwa for leasing the Shopping Floors for the operation of department store business both for a term of two years at an annual rentals of RMB4,000,000 and RMB5,000,000 respectively ("Tenancy Agreements"). After the completion, Xian Century can start its department store business in Xian, the PRC. As Mr. Wu Yijian, the Chairman of the Company, is the president of Ginwa Investment and owns 60% of the registered capital of Ginwa Investment while Ginwa Investment owns about 93.75% and 76.43% of the registered capital of Ginwa Hi-Tech and Century Ginwa respectively. Hence, Mr. Wu Yijian, Ginwa Hi-Tech and Century Ginwa are thus connected persons of the Company under the Listing Rules. The transactions contemplated under the Assets Acquisition Agreement constituted a connected transaction under the Listing Rules and the Tenancy Agreements constituted continuing connected transaction for the Company under the Listing Rules. All these transactions were approved in the SGM held on 18th December 2006. Approval has been granted by the government authorities. The registration procedures and transfer of assets are being executed. It is expected that the completion will take place before the long stop date of 10th May 2007.

(c) Details of balances due from/(to) related parties are as follows:–

	As at 31.12.2006 ***HK$'000***	As at 30.6.2005 *HK$'000*
Current account with Century Ginwa *(note 22)*	**13,364**	–
Refundable deposit receivable from BMRL *(note 23)*	**5,000**	–
Mr. Sean Liu, an ex-executive director of the Company	**–**	(27)
Shareholder's loan payable to BMRL	**–**	(12,000)

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For the eighteen months ended 31st December 2006

39. CONNECTED AND RELATED PARTY TRANSACTIONS *(continued)*

(d) Key management personnel compensation:–

	Period from 1.7.2005 to 31.12.2006 **HK$'000**	Year ended 30.6.2005 *HK$'000*
Salaries and other employee benefits	**4,680**	2,797
Retirement benefit costs	**51**	42
Employee share option benefits	**489**	–
	5,220	2,839

40. FINANCIAL RISK MANAGEMENT

The Group's policy is to prudently manage daily operations and invest surplus funds managed by the Group in a manner which satisfy liquidity requirements, safeguard financial assets, manage risks while optimising the returns.

The Group's activities expose it to a variety of financial risks: including the effects of changes in foreign currency exchange rate risk, credit risk, liquidity risk, cash flow and fair value interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial risk factors

(i) Foreign currency exchange rate risk

The Group operates shopping mall in the PRC with all the transactions settled in Renminbi which is not freely convertible into other foreign currencies and the foreign currency exchange rate risk is limited. The Group has not used any means to hedge its exposure to foreign currency exchange rate risk.

(ii) Credit risk

The Group has no significant concentrations of credit risk as most of the transactions of the shopping mall are settled by cash.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet its liquidity requirements.

(iv) Cash flow and fair value interest rate risk

Other than the cash maintained to pay the creditors in a short period of time, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

40. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iv) Cash flow and fair value interest rate risk (continued)

The Group's interest-rate risk arises from long-term borrowings. Convertible bond and promissory note issued at fixed rates expose the Group to fair value interest-rate risk. It is the policy of the Group to maintain sufficient cash flow for its borrowings in fixed rate instruments.

Generally, the Group raises convertible long-term borrowings at fixed rates that are lower than those available if the Group borrowed directly at other rates. Under the convertible terms may convert whole or any part of the principal amount of the bond into new shares of the Company at an adjustable conversion price.

(b) Fair value estimate

The carrying amounts of the Group's financial assets including cash and cash equivalents, loan receivables, trade receivables, prepayments and other receivables, amount due from a related company and amount due from a shareholder and financial liabilities including trade payables, accruals and other payables and amounts due to directors approximate their fair values due to their short maturities.

41. SEGMENT REPORTING

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

(a) Business segments

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 other business segments. Summary details of the business segments are as follows:–

(i) 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 26th May 2005 and 10th 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 31st 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 1st June 2005 to 31st 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 cruise and cruise-related business was discontinued after the completion of the disposal of the Disposal Group as mentioned in note 4 to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the eighteen months ended 31st December 2006

41. SEGMENT REPORTING *(continued)*

(a) Business segments *(continued)*

(ii) Operating of a department store

The Group is principally engaged in the operation of "Century Ginwa" branded department store in Urumqi, the PRC after the completion of the acquisition of Silver Light Group on 4th May 2006 as mentioned in note 39(b)(i) to the financial statements.

The following tables present revenue, loss and certain assets, liabilities and expenditure information for the Group's business segments:–

	Continuing operation – Operation of a department store*		**Discontinued operation – Cruise and cruise – related business**		**Others**		**Consolidated**	
	Period from 1.7.2005 to 31.12.2006	Year ended 30.6.2005	**Period from 1.7.2005 to 31.12.2006**	Year ended 30.6.2005	**Period from 1.7.2005 to 31.12.2006**	Year ended 30.6.2005	**Period from 1.7.2005 to 31.12.2006**	Year ended 30.6.2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue								
Revenue from external customers	**105,405**	–	**15,000**	70,933	**-**	–	**120,405**	70,933
Other revenue	**4,092**	–	**2,065**	2,814	**134**	641	**6,291**	3,455
Total revenue	**109,497**	–	**17,065**	73,747	**134**	641	**126,696**	74,388
Segment results	**1,245**	–	**(109,177)**	20,053	**(20,610)**	(7,407)	**(128,542)**	12,646
Interest income							**664**	650
(Loss)/profit from operations							**(127,878)**	13,296
Loss on disposal of subsidiaries							**(43,883)**	–
Finance costs							**(3,384)**	(881)
(Loss)/profit before income tax							**(175,145)**	12,415
Income tax expense							**(1,051)**	–
(Loss)/profit for the period/year							**(176,196)**	12,415
Attributable to:								
– Shareholders of the Company							**(151,202)**	2,175
– Minority interests							**(24,994)**	10,240
							(176,196)	12,415

41. SEGMENT REPORTING *(continued)*

(a) Business segments *(continued)*

	Continuing operation – Operation of a department store*		Discontinued operation – Cruise and cruise – related business		Others		Consolidated	
	Period from 1.7.2005 to 31.12.2006 HK$'000	Year ended 30.6.2005 *HK$'000*	**Period from 1.7.2005 to 31.12.2006 HK$'000**	Year ended 30.6.2005 *HK$'000*	**Period from 1.7.2005 to 31.12.2006 HK$'000**	Year ended 30.6.2005 *HK$'000*	**Period from 1.7.2005 to 31.12.2006 HK$'000**	Year ended 30.6.2005 *HK$'000*
Depreciation for the period/year	**1,812**	–	**9,402**	7,238	**105**	40	**11,319**	7,278
Impairment loss of property, plant and equipment	**-**	–	**108,775**	–	**-**	–	**108,775**	–
Segment assets	**88,323**	–	**-**	228,082	**39,563**	5,418	**127,886**	233,500
Unallocated assets	**-**	–	**-**	–	**-**	–	**-**	–
Total assets	**88,323**	–	**-**	228,082	**39,563**	5,418	**127,886**	233,500
Segment liabilities	**37,966**	–	**-**	4,399	**2,633**	952	**40,599**	5,351
Unallocated liabilities	**1,051**	–	**-**	–	**21,323**	28,478	**22,374**	28,478
Total liabilities	**39,017**	–	**-**	4,399	**23,956**	29,430	**62,973**	33,829
Capital expenditure incurred during the period/year	**431**	–	**-**	215	**51**	3	**482**	218

* Since acquisition on 4th May 2006.

NOTES TO THE FINANCIAL STATEMENTS

For the eighteen months ended 31st December 2006

41. SEGMENT REPORTING *(continued)*

(b) Geographical segments

In determining the Group's geographical segments, revenues are attributable to the segments based on the location of the customers, and assets are attributable to the segments based on the location of the assets.

	PRC		Hong Kong		Consolidated	
	Period from 1.7.2005 to 31.12.2006	Year ended 30.6.2005	**Period from 1.7.2005 to 31.12.2006**	Year ended 30.6.2005	**Period from 1.7.2005 to 31.12.2006**	Year ended 30.6.2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**105,405**	–	**15,000**	70,933	**120,405**	70,933
Other revenue	**4,092**	–	**2,199**	3,455	**6,291**	3,455
Total revenue	**109,497**	–	**17,199**	74,388	**126,696**	74,388
Segment assets	**88,316**	–	**39,570**	233,500	**127,886**	233,500
Capital expenditure incurred during the period/year	**431**	–	**51**	218	**482**	218

42. POST BALANCE SHEET EVENTS

Up to 8th February 2007, Century Ginwa repaid approximately RMB4,664,000 to the Group. On 8th February 2007, an agreement was concluded by the Company with Mr. Guo Qiang, Century Ginwa and Ginwa Urumqi. It was thereby agreed that the remaining balance of RMB8,700,000 owed by Century Ginwa to Ginwa Urumqi was to be fully set off with the HK$9,000,000 Convertible Bond issued by the Company to Mr. Guo Qiang on 16th May 2006 (note 33). As a result, the amount due from such a related company as mentioned in note 22 ceased to exist.