

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

These unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice ("SSAP") 2.125 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

2. Principal accounting policies

The accounting policies and methods of computation used in preparation of these interim financial statements are consistent with those used in the last audited financial statements for the year ended 30th June 2003, except for the following revised SSAP which are effective and has been adopted for the first time in the preparation of the current period's condensed interim financial statements:

SSAP 2.112 (Revised) : Income taxes

SSAP 2.112 (Revised) prescribes the basis for accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward of unused tax losses (deferred tax).

The adoption of SSAP 2.112 (Revised) has no significant effect on the results of the Group for the current period.

3. Related party transactions

Particulars of significant transaction between the Group and related parties were as follows:

- (i) During the six months ended 31st December 2002, the Group paid interest expenses of approximately HK\$120,000 to Best Mineral Resources Limited ("BMRL"), a substantial shareholder of the Company in relation to a convertible bond issued to BMRL pursuant to a subscription agreement dated 19th November 2001 ("Subscription Agreement").
- (ii) During the six months ended 31st December 2003, the Group paid interest expenses of approximately HK\$93,000 to Best Mineral Resources Limited ("BMRL"), a substantial shareholder of the Company in relation to the Subscription Agreement. The Subscription Agreement was expired on 18th November 2003. On the same date, the Company and BMRL has entered into an agreement that the outstanding balance of the convertible bond amounted to HK\$12,000,000 due to BMRL by the Company was converted to a shareholder's loan ("Shareholder's Loan"). The Shareholder's Loan is unsecured, interest free and repayable by 20th January 2006.

In the opinion of the Directors, the above related party transactions were conducted in the usual course of business and on normal commercial terms.

4. Turnover and segment information

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

No analysis by principal activities and geographical markets of the Group's turnover and contribution to operating profit for the six months ended 31st December 2003 and 2002 are provided as the Group has only one business segment, cruise and cruise-related business, and the consolidated turnover and results of the Group are attributable to a single route from Haikou in Hainan, the People's Republic of China ("PRC"), via Beihai in Guangxi, the PRC, to Halong Bay in Vietnam.

5. Profit before taxation

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

	Six months ended	
	31st December	
	2003	2002
	HK\$'000	HK\$'000
After charging		
Staff costs (include directors' emoluments)	6,874	4,715
Depreciation of fixed assets	3,923	3,809
Amortisation of goodwill	705	1,215
Interest on borrowings wholly repayable within five years:		
– convertible bond	93	120
– other borrowings	10	–
– bank borrowings	–	12
– long term loan	–	3,688
Minimum lease payments under operating lease	1,007	299
	<u>1,007</u>	<u>299</u>
After crediting		
Gain on disposal of subsidiaries	–	52
Interest income from:		
– bank deposits	–	12
– loan receivables	350	221
	<u>350</u>	<u>221</u>

6. Taxation

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

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

There is no significant unprovided deferred taxation during the period.

7. Dividend

The Directors has resolved not to declare any interim dividend in respect of the six months ended 31st December 2003 (2002: Nil).

8. Earnings per share

The calculation of basic earnings per share for the six months ended 31st December 2003 was based on the profit attributable to shareholders of approximately HK\$18,955,000 (2002: approximately HK\$14,664,000) and on the weighted average number of 409,222,500 (2002: 409,222,500) shares in issue during the period. No potential dilutive shares exist as at 31st December 2003 and accordingly diluted earnings per share was not shown.

The calculation of diluted earnings per share in 2002 was based on the profit attributable to shareholders of approximately HK\$14,664,000 and the weighted average number of 439,222,500 shares in issue after adjusting for the effects of all dilutive potential shares. A reconciliation of the weighted average number of shares used in calculating basic and diluted earnings per share for the six months ended 31st December 2002 is as follows:

	2002
Weighted average number of shares used in calculating basic earnings per share	409,222,500
Adjustment for potential dilutive effect of conversion of convertible bond	30,000,000
	<u>439,222,500</u>
Weighted average number of shares used in calculating diluted earnings per share	<u>439,222,500</u>

9. Fixed assets

For the six months ended 31st December 2003, the Group has acquired fixed assets of approximately HK\$122,000.

10. Trade receivables

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

	As at 31st December 2003 HK\$'000	As at 30th June 2003 HK\$'000
0 to 30 days	8,291	8,236
31 to 60 days	8,104	8,100
61 to 90 days	8,100	8,134
over 90 days	13,538	9,411
	38,033	33,881

11. Trade payables

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

	As at 31st December 2003 HK\$'000	As at 30th June 2003 HK\$'000
0 to 30 days	1,406	116
31 to 60 days	312	53
61 to 90 days	504	886
91 to 180 days	1,246	1,647
181 to 365 days	–	1,253
	3,468	3,955

12. Shareholder's loan

Pursuant to a subscription agreement (the "Subscription Agreement"), the Company issued a convertible bond on 19th November 2001 amounting to HK\$16,000,000 to Best Mineral Resources Limited ("BMRL"). The convertible bond was unsecured, carried interest at 2% per annum and repayable by 18th November 2003.

Prior to the maturity date of the convertible bond, BMRL converted HK\$4,000,000 of the outstanding bond into 10,000,000 ordinary shares of the Company at the conversion price of HK\$0.40 per share. On 18th November 2003, the Company and BMRL has entered into an agreement that the outstanding balance of the convertible bond amounted to HK\$12,000,000 has been converted to a shareholder's loan ("Shareholder's Loan"). The Shareholder's Loan is unsecured, interest free and repayable by 20th January 2006.

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