NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

These unaudited condensed consolidated interim financial statements ("Interim Accounts") of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Interim Accounts are unaudited, but have been reviewed by PKF in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. PKF's independent review report is included on page 20.

The accounting policies and methods of computation used in the preparation of these Interim Accounts are consistent with those used in the annual financial statements for the year ended 30th June 2005, except that the Group has changed certain of its accounting policies following its adoption of the new or revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations ("new HKFRSs") which are effective for accounting periods commencing on or after 1st January 2005.

The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies as set out in note 2 below.

2. Impact of new HKFRSs

(a) Goodwill

The adoption of HKFRS 3 Business Combination, 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.

2. Impact of new HKFRSs *(Continued)*

(a) *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 year ending 30th June 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.

(b) *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. Until 30th June 2005, the provision of share options to employees did not result in a charge to income statement. The main impact of HKFRS 2 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. The Group has taken advantage of the transitional provisions of HKFRS 2 in respect of equity-settled incentives and has applied HKFRS 2 only to equity-settled incentives granted after 7th November 2002 that had not vested on or before 1st January 2005.

(c) *Financial instruments*

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of loans and receivables. The application of HKASs 32 and 39 has had no material impact on the financial instruments of the Group for the current and prior accounting periods.

3. Turnover and segment information

The Group is principally engaged in cruise and cruise-related business. No analysis by principal activities and geographical markets of the Group's turnover and contribution to operating profit for the period under review is provided as the Group has only one business segment, cruise and cruise-related business, and more than 90% of the consolidated turnover and results of the Group are attributable to the route in Hong Kong waters and the international waters nearby Hong Kong.

4. Profit before taxation

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

	Six months ended 31st December	
	2005	2004
	HK$'000	*HK$'000*
After charging –		
Staff costs (include directors' emoluments)	2,133	6,809
Depreciation of fixed assets	3,686	3,629
Amortisation of goodwill	–	705
Interest on borrowings wholly repayable within five years:		
– Interest-bearing borrowings – secured	524	467
– Interest-bearing borrowings – unsecured	140	–
Minimum lease payments under operating lease	230	493
After crediting –		
Interest income from loan receivables	221	638
Adjustment for overprovision of amortisation in other assets	1,500	–

5. 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.

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

The Group did not have material deferred tax assets and liabilities unrecognised at 31st December 2005.

6. Dividend

The Board has resolved not to declare any interim dividend in respect of the six months ended 31st December 2005. (2004: Nil).

7. (Loss)/Earnings per share

The calculation of basic loss per share for the six months ended 31st December 2005 was based on the loss attributable to shareholders of approximately HK$1,000 (2004: profit of approximately HK$15,488,000) and the weighted average number of ordinary shares of 409,222,500 (2004: 409,222,500) in issue during the period. No potential dilutive shares exist as at 31st December 2005 and accordingly diluted (loss)/earnings per share was not shown.

8. Fixed assets

For the six months ended 31st December 2005, the Group has acquired property, plant and equipment of approximately HK$2,000.

9. Loan receivables

The loan receivables represent advances (the "Advances") made to the Anglo View Ltd, which is the Licensee under the agreement with the indirect wholly-owned subsidiary of the Company. On 7th October 2005, the subsidiary entered into a supplemental agreement ("Supplementary Agreement") with the Licensee whereby the subsidiary agreed with the Licensee to give up its right to the original profits sharing arrangement under the Agreement dated 28th December 2004 in exchange of a fixed return from the Licensee, calculated at 2% on the amount of repayment of the Advances to be received.

10. Goodwill

	As at 31st December 2005 *HK$'000*	As at 30th June 2005 *HK$'000*
COST		
At beginning of the period/year	7,052	7,052
Elimination of accumulated amortisation following the adoption of HKFRS 3	(4,250)	–
At end of the period/year	2,802	7,052
AMORTISATION		
At beginning of the period/year	4,250	2,840
Provided for the period/year	–	1,410
Elimination of accumulated amortisation following the adoption of HKFRS 3	(4,250)	–
At end of the period/year	–	4,250
CARRYING AMOUNT		
At end of the period/year	2,802	2,802

In accordance with HKFRS 3, goodwill has discontinued amortising from 1st July 2005 and is subject to an annual impairment test.

11. Trade receivables

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

	As at 31st December 2005 *HK$'000*	As at 30th June 2005 *HK$'000*
0 to 30 days	765	2,500
31 to 60 days	765	–
61 to 90 days	765	–
over 90 days	9,106	13,900
	11,401	16,400

12. Interest-bearing borrowings – secured

On 20th January 2004, the Company issued Secured Guaranteed Floating Rate Notes due 2006 in the principal amount of US$10,000,000 (the "Floating Rate Notes"). As at 31st December 2005, the outstanding principal amount of the Floating Rate Notes was approximately US$1,920,000. The Floating Rate Notes are secured by (i) the Company's 51% equity interest in Pacific Cruises (Hainan) Limited ("Pacific Cruises"), a non-wholly owned subsidiary of the Group, (ii) the cruise ship of Pacific Cruises known as the "Ming Fai Princess" (the "Cruise Ship"), (iii) certain receivables and bank deposits of Pacific Cruises, (iv) all monies payable to Pacific Cruises in respect of the requisition of title or compulsory acquisition of the Cruise Ship and the insurance policies of the Cruise Ship, (v) joint and several personal guarantees executed by three executive directors of the Company, namely Messrs. Wu Yijian, Sean Liu and Mo Keung (the "Guarantors") and (vi) the subordination of the present and future indebtedness owing by the Company to the Guarantors. The Company and the lender have agreed to extend the maturity date of the Floating Rates Notes to 20th October 2006.

13. Interest-bearing borrowings – unsecured

The borrowings are unsecured, interest-bearing and repayable within one year.

14. Share capital

	Number of shares	Nominal values HK$'000
Ordinary shares of HK$0.1 each		
Authorised		
As at 31st December 2005 and 30th June 2005	1,000,000	100,000
Issued and fully paid		
As at 31st December 2005 and 30th June 2005	409,223	40,922

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

15. Related party transactions

a. No significant transactions incurred between the Group and related parties during the period ended 31st December 2005.

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

	As at 31st December 2005 HK$'000 (unaudited)	As at 30th June 2005 HK$'000 (audited)
Mr. Sean Liu, an executive director of the Company	26	27
Mr. George Chan, an executive director of the Company	300	–
Shareholder's loan payable to BMRL	–	12,000

16. Post balance sheet event

On 16th February 2006, the Company as purchaser entered into an agreement with two vendors, one of whom is an associate of a director of the Company in respect of purchase of the entire issued capital of Silver Light Group Company (the "target company") at an aggregate consideration of approximately HK$40 million, subject to adjustments, which will be satisfied: (a) as to HK$30 million by way of a promissory note due and payable two years after the completion date; (b) as to HK$10 million by way of an issue of a convertible bond (the "Acquisition"). An indirect wholly-owned subsidiary of the target company is principally engaged in the operation of "Century Ginwa" branded department store in Urumqi, the PRC. As the Acquisition is a major and connected transaction under the Listing Rules and is subject to a number of conditions precedent (including the approval of independent shareholders), the Acquisition may or may not be completed.

17. Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ending 30 June 2006

Up to the date of issue of these Interim Accounts, HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 30 June 2006 and which have not been adopted in these Interim Accounts.

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

	Effective for accounting periods beginning on or after
– HKFRS 7, Financial instruments disclosures	1 January 2007
– Amendment to HKAS 1, Presentation of financial statements: capital disclosures	1 January 2007

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1 December 2005 and would be first applicable to the Group's financial statements for the period beginning 1 July 2006.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application.

18. Comparative figures

Certain comparative figures have been restated and additional disclosure of comparative figures have been made as a result of the adoption of new HKFRSs as mentioned in note 2 above.