MACAU SUCCESS LIMITED
澳門實德有限公司*

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

Stock Code 股份代號：0487

ANNUAL REPORT 2007 年報

* For identification purpose only 僅供識別

CONTENTS

LOCATION MAP OF PONTE 16
十六浦位置圖

OUR VISION

To become a major player in the gaming, entertainment and tourist-related industries in the Asia-Pacific region, and to create value for our shareholders, customers and employees while committing to attain a high standard of corporate governance.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Yeung Hoi Sing, Sonny *(Chairman)*
Mr. Lee Siu Cheung *(Deputy Chairman)*
Mr. Ma Ho Man, Hoffman

Non-executive Director

Mr. Choi Kin Pui, Russelle

Independent Non-executive Directors

Mr. Luk Ka Yee, Patrick
Mr. Yim Kai Pung
Ms. Yeung Mo Sheung, Ann

COMPANY SECRETARY

Ms. Chiu Nam Ying, Agnes

QUALIFIED ACCOUNTANT

Mr. Luk Sai Wai, Simon

AUTHORISED REPRESENTATIVES

Mr. Lee Siu Cheung
Ms. Chiu Nam Ying, Agnes

AUDIT COMMITTEE

Mr. Yim Kai Pung *(Chairman)*
Mr. Choi Kin Pui, Russelle
Mr. Luk Ka Yee, Patrick
Ms. Yeung Mo Sheung, Ann

REMUNERATION COMMITTEE

Mr. Yeung Hoi Sing, Sonny *(Chairman)*
Mr. Choi Kin Pui, Russelle
Mr. Luk Ka Yee, Patrick
Mr. Yim Kai Pung
Ms. Yeung Mo Sheung, Ann

EXECUTIVE COMMITTEE

Mr. Yeung Hoi Sing, Sonny *(Chairman)*
Mr. Lee Siu Cheung
Mr. Ma Ho Man, Hoffman

AUDITORS

CCIF CPA Limited

LEGAL ADVISORS ON HONG KONG LAW

Iu, Lai & Li

LEGAL ADVISORS ON BERMUDA LAW

Conyers Dill & Pearman

PRINCIPAL BANKERS

Chong Hing Bank Limited
Dah Sing Bank, Limited
Fubon Bank (Hong Kong) Limited
Public Bank (Hong Kong) Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT IN BERMUDA

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, HM 08
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
(formerly known as Tengis Limited)
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 1601-2 & 8-10, 16/F.
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 0487

WEBSITE

www.macausuccess.com

FINANCIAL HIGHLIGHTS

	2007	2006	2005
	HK$'000	HK$'000	HK$'000
Result			
Turnover			
Cruise leasing and management	**95,901**	95,717	95,382
Travel	**7,853**	7,813	5,523
	103,754	103,530	100,905
Profit from operations	**34,069**	48,917	31,892
Profit attributable to equity shareholders of the Company	**2,314**	28,380	12,291
Balance sheet			
Total assets	**1,197,379**	978,395	712,094
Total liabilities	**170,466**	11,475	31,360
Net assets	**1,026,913**	966,920	680,734

CORPORATE PROFILE

Macau Success Limited ("Macau Success" or the "Company") is a listed company whose shares are traded on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the stock code "0487". The Company, through its subsidiaries, operates a cruise ship and travel agencies. The soon-to-open Ponte 16 project will help the Company embark on a transition into a dominant player in Macau's gaming, entertainment and tourist-related industries.

PONTE 16

Ponte 16 is a world-class integrated casino-resort comprising a five-star luxury hotel – Sofitel Macau at Ponte 16, a casino (subject to the approval of the Macau SAR Government), a shopping arcade, and food and beverage facilities. Macau Success partners with Sociedade de Jogos de Macau, S.A. in this development project, and has recruited Maruhan Corporation ("Maruhan"), a leading company in the pachinko industry in Japan, as a strategic partner of the Company. The Group's effective interest in Pier 16 – Property Development Limited ("Pier 16 – Property Development"), which is responsible for the development of Ponte 16, is approximately 44%, while Maruhan has an effective interest of approximately 5% in Pier 16 – Property Development through its equity interest held in a subsidiary of the Company. Ponte 16 is approaching its grand opening in February 2008.

CRUISE

Macau Success owns M.V. Macau Success, a luxury cruise ship with a world-class casino and various spectacular entertainment facilities. The cruise has 224 passenger rooms with a maximum holding capacity of over 500 passengers, and operates daily from Hong Kong to various locations in international water. The cruise business will create synergy effect on our travel business and Ponte 16.

TRAVEL SERVICES

Macau Success owns and operates Travel Success Limited and Travel Success (Macau) Limited in Hong Kong and Macau respectively. Through these companies, the Company is able to offer a wide-range of one-stop travel services to customers. The travel agencies provide the Company with a unique platform to serve high-end customers and to direct traffic to the Company's cruise ship and other entertainment facilities, including Ponte 16.

Macau Success's clear vision and focused strategy will create greater value for its shareholders. The tremendous synergies driven by these businesses will set a strong foundation for the Company's continued success and help it become a leading enterprise in the Asia-Pacific region.

GROUP STRUCTURE

Macau Success Limited

Hong Kong Listed Company with a focus on Gaming, Entertainment and Tourist-Related Businesses

- Cruise Business
  - M.V. Macau Success
- Travel Business
  - Travel Success Limited
  - Travel Success (Macau) Limited
- Other Investment Project
  - Ponte 16 Integrated Casino-resort

CHAIRMAN'S STATEMENT

To Our Shareholders:

We are delighted to share with you a piece of encouraging news. Our flagship project, Ponte 16, a world-class integrated casino-resort, will launch its grand opening in February 2008. I am certain that Ponte 16 will become one of Macau's most sophisticated and attractive landmarks in the near future.

CHAIRMAN'S STATEMENT

To Our Shareholders:

On behalf of the board of directors (the "Board" or "Director") of Macau Success Limited ("Macau Success" or the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 30 September 2007.

We are delighted to share with you a piece of encouraging news. Our flagship project, Ponte 16, a world-class integrated casino-resort, will launch its grand opening in February 2008. I am certain that Ponte 16 will become one of Macau's most sophisticated and attractive landmarks in the near future.

Following the topping-out ceremony of Ponte 16, in April 2007, construction works of the integrated casino-resort complex proceeded smoothly. In June 2007, Pier 16 – Property Development Limited ("Pier 16 – Property Development") successfully arranged a syndicated loan facility of HK$1,600 million with eight leading banks in Macau and Hong Kong, reflecting their confidence in the project, which I believe has huge potential and will lead to many new business opportunities. Soon after the loan facility arrangement, Ponte 16 launched its new logo which highlights the historical value of the Inner Harbour of Macau where Ponte 16 is located.

Since 2005, the Group has adopted a three-pronged strategy based on gaming and entertainment-related, cruise and travel businesses. We successfully executed the strategy in the year under review, generating a stable income in our current businesses. When Ponte 16 is going to be in operation, the travel business will play an even more crucial role in attracting travelers from various locations to the casino-resort complex.

During the year under review, there were changes in the structure of the Board. Mr. Lee Siu Cheung, an executive Director, was designated as the deputy chairman of the Company, while Mr. Ma Ho Man, Hoffman was appointed as an executive Director. I will continue to work closely with other members of the Board with a view to creating value and long-term returns for our shareholders.

In October 2007, Macau Success successfully recruited Maruhan Corporation ("Maruhan", a leading player in the pachinko industry in Japan) as a strategic partner. Maruhan now owns about 18.2% interest in the issued share capital of Macau Success. Moreover, Maruhan also has an effective interest of about 13% in Ponte 16 through its respective equity interests held in Macau Success and its subsidiary.

Macau Success will be benefited from the extensive experience of Maruhan in the entertainment industry, its well-disciplined management and its business network in Japan. We anticipate a number of beneficial collaborations with our new partner, in particular, more Japanese and Korean customers will be brought to Ponte 16, which will diversify and expand our customer base. Furthermore, we are targeting, in cooperation with Maruhan, to enter Japan's gaming industry, pending the availability of gaming licenses in the near future.

2007 was a good year for Macau. The opening of a number of casinos and hotels has led to surging revenues from the gaming sector, and the number of visitors has risen substantially, particularly from the Mainland China. The statistics lead us to believe that Macau will provide a profitable business environment for the Company, amid the intensifying competition within the industry.

CHAIRMAN'S STATEMENT

OPERATIONAL HIGHLIGHTS FOR THE YEAR

Cruise Business

The cruise business was the major source of the Group's total turnover in the year under review, generating stable income to the Group. The cruise business will continue to play a key role in developing our gaming, entertainment and tourist-related businesses. In the future, the cruise business will create synergy effect on our travel business and Ponte 16.

Travel Business

The Group has two travel companies in Hong Kong and Macau respectively. The Group is determined to develop the travel business into a unique platform to serve high-end customers and to direct traffic to our cruise business and Ponte 16.

OUTLOOK

The Macau's economy is expected to flourish over the coming years. The increases in both gaming revenues and visitor arrivals provide an ideal environment for the Group to achieve its vision of being one of the major players in the gaming, entertainment and tourist-related industries in Macau.

Ponte 16 is expected to become a substantial profit contributor of the Group, while revenues from the cruise and travel businesses are expected to remain stable. The Group will continue to adopt its three-pronged strategy: developing entertainment and tourist-related businesses in Macau in order to maximize growth potential; operating the cruise business to generate steady income; and expanding the travel business in order to enhance services to customers and to generate traffic to our cruise and other entertainment facilities, including Ponte 16.

We believe that Ponte 16, when it is in full operation, will add significant value to our shareholders, customers and employees. Ponte 16 has its unique competitive advantages in the gaming and entertainment-related businesses, including our partnership with Sociedade de Jogos de Macau, S.A., our extensive management experience in casinos and VIP halls, strong support from the Macau SAR Government, its central location in Macau's historical district, its proximity to Zhuhai, and a world-class architectural design with a unique European theme, which is different from the many Las Vegas style casinos. Maruhan's involvement will induce ample sources of Japanese and Korean visitors leading to a further enhancement of our business. In the next few years, we will leverage our brand and competitive advantages to make our integrated cruise, travel, resort and casino businesses a success.

In the future, we will explore opportunities not only in Macau but also beyond the enclave, such as Zhuhai and elsewhere in the Asia-Pacific region, in order to expand the scope of our businesses and bring higher returns to our shareholders. Bolstered by our established businesses, our focused approach and visionary management, I believe that the Group will build on its strengths to become a major regional player in the gaming, entertainment and tourist-related industries.

APPRECIATION

Last but not least, I would like to express my deepest gratitude to our investors, business partners, customers, and employees for their loyal support. Without your contributions to the Group and your confidence in the Board, we would not have achieved these results. We welcome your continued support for the Group, as we shall create an even better future.

Yeung Hoi Sing, Sonny
Chairman

Hong Kong
21 January 2008

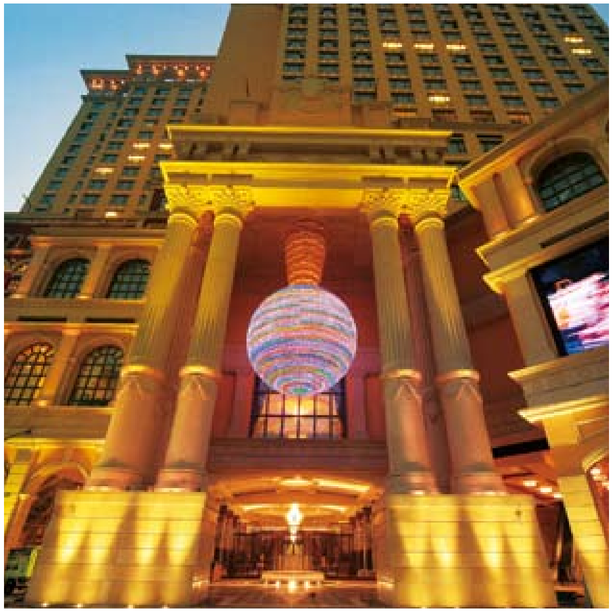
BUSINESS HIGHLIGHTS

- Stake in Ponte 16 increased from 36.75% to 49%
- Announced the topping-out of its flagship project, Ponte 16
- Completed the disposal of approximately 8.13% interest in issued share capital of Triumph Up Investments Limited and led to a gain of approximately HK$10.3 million
- Subscribed for the convertible bonds issued by China Star Entertainment Limited, exercised the rights to convert the convertible bonds into shares, and disposed such shares in the open market which led to a gain of approximately HK$4.4 million
- Pier 16 – Property Development Limited, an associate of Macau Success Limited, arranged a syndicated loan facility of HK$1,600 million for the development of the Ponte 16 project, and Macau Success Limited provided corporate guarantee of HK$860 million to secure the facility
- Entered into a letter of intent with Maruhan Corporation, a leading company in the pachinko industry in Japan

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's future is promising based on the steady growth of its core businesses and great potential of Ponte 16 project.

MANAGEMENT DISCUSSION AND ANALYSIS



The following discussion should be read in conjunction with the consolidated financial statements and the related notes included in this annual report.

The consolidated financial statements of Macau Success Limited (the "Company") and its subsidiaries (collectively the "Group") have been prepared in accordance with Hong Kong Financial Reporting Standards.

RESULTS

Total turnover of the Group for the year ended 30 September 2007 was approximately HK$103.8 million, representing approximately 0.2% increase compared to last corresponding year (2006: approximately HK$103.5 million). The results indicated that the cruise and travel businesses maintained stable source of revenue during the year under review.

Profit from operations and operating profit margin decreased to approximately HK$34.1 million and 32.8% respectively for the year under review (2006: approximately HK$48.9 million and 47.2% respectively). It was mainly due to the increase in fuel oil price and operating costs during the year that adversely affected our cruise leasing and management operation. Profit attributable to equity shareholders of the Company was approximately HK$2.3 million (2006: approximately HK$28.4 million). Other than the above, there was an increase in shared loss from associates. The Group's flagship investment project, Ponte 16, was approaching its grand opening. Prior to the commencement of business, there were preparation and pre-operating expenses incurred that led to the shared loss to be borne by the Group.

DIVIDENDS

No interim dividend was paid during the year under review (2006: 0.15 HK cents per share). The directors of the Company (the "Directors") do not recommend any payment of a final dividend for the year ended 30 September 2007 (2006: Nil).

CRUISE BUSINESS

During the year under review, cruise business remained as the major source of the Group's total turnover. The business has generated steady cash flow for years.

MANAGEMENT DISCUSSION AND ANALYSIS
CRUISE BUSINESS

REVIEW OF OPERATIONS

Cruise Business

During the year under review, cruise business remained as the major source of the Group's total turnover. The business has generated steady cash flow for years. The leasing and management of the Group's cruise ship, M.V. Macau Success, accounted for 92.4% of the Group's total turnover.

For the year ended 30 September 2007, turnover from the cruise business was approximately HK$95.9 million (2006: approximately HK$95.7 million). Segment profit from the business amounted to approximately HK$32.0 million (2006: approximately HK$45.0 million), which was 28.9% lower than that of the last corresponding year due to the increase in fuel oil price and operating costs.

The cruise business continued to provide a stable income to the Group, and also created synergy effect on other businesses of the Group, which has helped us to achieve our vision of becoming a major player in the gaming, entertainment and tourist-related industries.

TRAVEL BUSINESS

The travel business will be developed into a unique platform, providing professional travel services to high-end customers and directing traffic to the Group's flagship cruise ship, M.V. Macau Success.

MANAGEMENT DISCUSSION AND ANALYSIS
TRAVEL BUSINESS

Travel Business

During the year under review, turnover from the travel business was approximately HK$7.9 million (2006: approximately HK$7.8 million), representing a slight increase of 0.5% and accounting for approximately 7.6% of the Group's total turnover. Segment loss from the business was approximately HK$0.5 million (2006: approximately HK$0.5 million).

Although travel business is not the major source of the Group's total turnover, it is the Group's strategy to develop the travel business into a unique platform, providing professional travel services to high-end customers and directing traffic to the Group's flagship cruise ship, M.V. Macau Success.

OTHERS

A number of transactions took place during the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS
OTHERS

Others

During the year under review, there were several transactions and details of which were as follows:

1. On 30 November 2006, the Group, through a then indirect wholly-owned subsidiary of the Company namely World Fortune Limited ("World Fortune"), entered into a sale and purchase agreement with Joy Idea Investments Limited ("Joy Idea") for acquisition of a 12.25% equity interest in, and the related loan to, Pier 16 – Property Development Limited ("Pier 16 – Property Development") which is responsible for the development of Ponte 16, from Joy Idea, for an aggregate consideration of HK$200 million. The consideration was settled by HK$152 million in cash from internal resources and HK$48 million through the allotment and issue of 60,000,000 new shares of the Company at an agreed issued price of HK$0.80 per share. The acquisition was completed on 28 February 2007 and 60,000,000 shares of the Company were issued to Joy Idea. As a result of the acquisition, Pier 16 – Property Development is 51% and 49% owned by SJM – Investimentos Limitada and World Fortune respectively.

MANAGEMENT DISCUSSION AND ANALYSIS
OTHERS (CONTINUED)

2. On 13 June 2006, Top Region Assets Limited, an indirect wholly-owned subsidiary of the Company, as vendor, entered into a sale and purchase agreement (the "Agreement") with an independent third party, China Star Entertainment Limited ("China Star", a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")), as purchaser, and the Company, as guarantor. Under the terms of the Agreement, China Star bought approximately 8.13% interest in the issued share capital of Triumph Up Investments Limited ("Triumph Up"), a company incorporated in the British Virgin Islands, for a consideration of approximately HK$36.1 million.

   On 31 October 2006 and 28 February 2007, the parties entered into deeds of variation to, inter alia, extend the long stop date under the Agreement and the long stop date was then extended to 31 May 2007. The transaction was completed on 30 May 2007 and led to a gain of approximately HK$10.3 million.

3. On 19 January 2007, Better Talent Limited ("Better Talent"), an indirect wholly-owned subsidiary of the Company, as subscriber, entered into a subscription agreement with China Star, as issuer, in relation to the subscription of China Star's zero coupon unsecured convertible bonds with a principal amount of HK$12.5 million at the subscription price of approximately HK$11.9 million. The subscription was completed on 18 May 2007.

   On 1 June 2007, Better Talent exercised its rights to convert the convertible bonds into 39,062,500 shares of China Star at a conversion price of HK$0.32 per share, and subsequently disposed the shares in the open market during the year under review, which led to a gain of approximately HK$4.4 million.

4. On 28 June 2007, the Company, in conjunction with Sociedade de Jogos de Macau, S.A., provided corporate guarantee to secure the syndicated loan facility of HK$1,600 million granted by a syndicate of lenders to Pier 16 – Property Development (the "Syndicated Loan Facility").

5. On 27 July 2007, Golden Sun Profits Limited ("Golden Sun"), an indirect wholly-owned subsidiary of the Company, entered into a letter of intent (the "LOI") with Maruhan Corporation ("Maruhan", a leading company in the pachinko industry in Japan). The LOI gave Maruhan the right to acquire from Golden Sun certain equity interests in World Fortune which owned 49% of the entire issued share capital of Pier 16 – Property Development.

Cooperation with Maruhan

On 1 October 2007, Golden Sun as vendor, Maruhan as purchaser, and the Company as vendor's guarantor entered into a conditional sale and purchase agreement for the disposal of 10.2% of the entire issued share capital of, and the related shareholder's loan to, World Fortune, for a consideration of approximately HK$208.5 million (the "Disposal"). The Company and Maruhan also signed a subscription agreement, pursuant to which Maruhan subscribed for 220,000,000 new shares issued by the Company at a subscription price of HK$1.062 per share. Upon completion of the Disposal, World Fortune has become 89.8% owned indirect subsidiary of the Company, and the Group's effective interest in Pier 16 – Property Development decreased from 49% to approximately 44%. Besides, Maruhan has an effective interest of approximately 5% in Pier 16 – Property Development through World Fortune.

The recruitment of Maruhan as the strategic partner of the Company reflects management's intention to expand beyond Macau to other places in the Asia-Pacific region. While the Company and Maruhan have agreed to co-operate in developing the gaming industry in Japan pending the grant of gaming licenses, both parties are also looking at other potential business opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Pledge of Assets

As of 30 September 2007, the Group has pledged time deposits of approximately HK$0.8 million (2006: approximately HK$0.7 million) to certain banks in exchange for issuance of bank guarantees of approximately HK$0.8 million (2006: approximately HK$0.7 million) to cover the Group's operating expenses.

As at 30 September 2007, World Fortune pledged all (2006: Nil) of its shares in Pier 16 – Property Development to a bank, for and on behalf of the syndicate of lenders, in respect of the Syndicated Loan Facility.

Contingent Liabilities

As of 30 September 2007, the Company had contingent liabilities in the following aspects:

(a) With regard to the corporate guarantee provided by the Company to secure the Syndicated Loan Facility, the maximum guarantee amount borne by the Company was HK$860 million (2006: Nil).

(b) A loan facility of up to HK$250 million (2006: Nil) was granted to an indirect wholly-owned subsidiary of the Company. The maximum guarantee amount borne by the Company was HK$250 million (2006: Nil).

Liquidity, Financial Resources and Gearing

As of 30 September 2007, the Group had net current assets of approximately HK$113.8 million (2006: approximately HK$478.1 million) and had net assets of approximately HK$1,026.9 million (2006: approximately HK$966.9 million).

As of 30 September 2007, the Group had no interest-bearing loans or lease obligations (2006: Nil).

The loans provided by minority shareholders were repaid during the fiscal year (2006: approximately HK$5.1 million). The loans were unsecured, non-interest bearing and had no fixed repayment terms.

Equity attributable to equity shareholders of the Company as of 30 September 2007 was approximately HK$976.9 million (2006: approximately HK$926.6 million).

Because of the absence of debt, the gearing ratio (interest-bearing debt divided by equity attributable to equity shareholders) was zero for the year under review and the last corresponding year.

Staffing

As of 30 September 2007, the Group had approximately 360 employees. Remuneration is determined on the basis of qualification, experience, responsibility and performance. In addition to salaries, staff benefits include medical insurance and retirement benefits under the Mandatory Provident Fund Scheme. Share options might be granted to eligible employees of the Group as a long-term incentive.

PROSPECTS

Management is optimistic about the Group's future. The Group's flagship integrated casino-resort development project, Ponte 16, will become a substantial profit contributor of the Group after its grand opening in February 2008.

MANAGEMENT DISCUSSION AND ANALYSIS
PROSPECTS

PROSPECTS

Management is optimistic about the Group's future. The Group's flagship integrated casino-resort development project, Ponte 16, will become a substantial profit contributor of the Group after its grand opening in February 2008. The Group's cruise and travel businesses, which have provided steady cash flow for years, will provide leverage for this exciting new project.

Management is confident in the future growth of Macau's economy and in particular its tourism industry. Both of these provide significant opportunities for the Group. According to the Macau SAR Government, tourist arrivals in Macau in the first eleven months of 2007 was approximately 24.4 million, an increase of 22.9% over the corresponding period of 2006. Since over 50% of tourists are from the Mainland China, economic growth in China will continue to spill over into Macau's economy. Gaming revenue was approximately MOP74.8 billion in the first eleven months of 2007, exceeding the total number of 2006.

Ponte 16

Ponte 16, which was topped out in April 2007, is a world-class integrated resort with a five-star luxury hotel – Sofitel Macau at Ponte 16, a casino (subject to the approval of the Macau SAR Government), a shopping arcade, and food and beverage facilities. Featuring a unique European theme, the development is located at one of the Macau's historic landmarks, Pier 16, part of the early 20th century waterfront. The two-minute ferry connection between Ponte 16 and Zhuhai provides convenient access for tourists. The casino has 22 VIP tables and 10 premium market tables, 120 mass market tables and 320 slot machines while Sofitel Macau at Ponte 16 comprises a total of 423 guest rooms. Among the total guest rooms, there will be 394 standard guest rooms, 10 suites and 19 mansions. Together with a great variety of restaurants and other high quality facilities, Ponte 16 will offer top quality services to guests of the resort.

MANAGEMENT DISCUSSION AND ANALYSIS
PROSPECTS (CONTINUED)

On 28 June 2007, Pier 16 – Property Development entered into an agreement for a five-year syndicated loan facility of HK$1,600 million with a consortium of eight leading banks in Macau and Hong Kong for funding the development of Ponte 16. The syndication attracted an enthusiastic response from banks during the general syndication period.

The Group has been paying continuous and utmost efforts on Ponte 16 project and is excited about its grand opening ceremony to be held in February 2008.

CONCLUSION

The Group's future is promising based on the steady growth of its core businesses and great potential of Ponte 16 project. Recruiting Maruhan as a strategic partner reflects the Company's interest in developing into Asian markets. The Group's vision is to become one of the leading gaming, entertainment and tourist-related companies in the Asia-Pacific region. Management is diligent in pursuing opportunities in Macau, the Mainland China and other places in the Asia-Pacific region so as to develop new sources of synergy and enhance shareholders' value.

CORPORATE GOVERNANCE REPORT

Macau Success Limited (the "Company") is committed to maintain high corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors of the Company ("Director(s)"), the Company has applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 30 September 2007.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors (the "Code of Conduct") on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

Having made specific enquiry of all Directors, each of whom has confirmed his/her compliance with the required standard set out in the Code of Conduct and the Model Code.

THE BOARD

The board of Directors (the "Board"), led by its chairman (the "Chairman"), Mr. Yeung Hoi Sing, Sonny, is responsible for supervision of the management of the business and affairs, approval of strategic plans and review of financial performance. The Board is committed to make decisions in the best interests of both the Company and its shareholders.

The Board currently consists of seven members, including three executive Directors, namely Mr. Yeung Hoi Sing, Sonny (Chairman), Mr. Lee Siu Cheung (Deputy Chairman) and Mr. Ma Ho Man, Hoffman; a non-executive Director, namely Mr. Choi Kin Pui, Russelle (the "NED"); and three independent non-executive Directors, namely Mr. Luk Ka Yee, Patrick, Mr. Yim Kai Pung and Ms. Yeung Mo Sheung, Ann ("INEDs"). The Directors' biographical information is set out on pages 31 and 32 under the heading "Biographical Details of Directors and Senior Management".

The roles of the Chairman and the deputy chairman of the Board (the "Deputy Chairman") who performs the function of chief executive officer are segregated and assumed by separate individuals to strike a balance of power and authority so that power and job responsibilities are not concentrated in any one individual of the Board. The Chairman, Mr. Yeung Hoi Sing, Sonny, is responsible for overseeing the function of the Board and formulating overall strategies and policies of the Company, while the Deputy Chairman, Mr. Lee Siu Cheung, is responsible for managing the Group's business and overall operations. The functions and responsibilities between the Chairman and the Deputy Chairman are clearly segregated.

Save as Mr. Ma Ho Man, Hoffman is the nephew of Mr. Yeung Hoi Sing, Sonny, to the best knowledge of the Directors, there is no financial, business, family and/or other material/relevant relationship among members of the Board and between the Chairman and the Deputy Chairman who performs the function of chief executive officer.

The Board includes three INEDs and one of them, Mr. Yim Kai Pung, is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants of the United Kingdom. He has over 17 years of experience in auditing, taxation and provision of finance consultancy services for companies in Hong Kong and the People's Republic of China.

The Company has received from each of the INEDs an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers all of the INEDs to be independent.

The NED and all INEDs have entered into service contracts with the Company for a term of one year. None of the NED and INEDs has entered into any service contracts with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Pursuant to the Bye-laws of the Company, all Directors appointed to fill a casual vacancy should be subject to election by shareholders of the Company at the next following general meeting of the Company after their appointment. In addition, at each annual general meeting of the Company, one-third of the Directors shall retire from office by rotation such that all Directors should be subject to retirement by rotation at least once every three years.

CORPORATE GOVERNANCE REPORT

THE BOARD (Continued)

The Board meets regularly throughout the year as and when required. Notices of at least 14 days are given to all Directors for all regular Board meetings. The company secretary of the Company assists the Chairman in preparing the agenda for the meetings and all Directors are consulted to include any matters in the age nda. Agenda and accompanying board papers are given to all Directors in a timely manner and at least 3 days before the appointed date of meeting.

During the year under review, four regular Board meetings and two non-regular Board meetings were held. Details of the Directors' attendance at the said Board meetings are set out below:

Directors	Number of Board meetings attended/held
Executive Directors	
Mr. Yeung Hoi Sing, Sonny *(Chairman)*	5/6
Mr. Lee Siu Cheung *(Deputy Chairman)*	5/6
Mr. Ma Ho Man, Hoffman *(appointed on 20 March 2007)*	2/2
Non-executive Director	
Mr. Choi Kin Pui, Russelle	6/6
Independent non-executive Directors	
Mr. Luk Ka Yee, Patrick	5/6
Mr. Yim Kai Pung	6/6
Ms. Yeung Mo Sheung, Ann	6/6

The Board has agreed on a procedure to enable the Directors to seek independent professional advice in appropriate circumstances, at the Company's expense, to assist them to discharge their duties. Adequate, complete and reliable information is provided to the Directors in a timely manner to keep them abreast of the Group's latest developments and any major changes to the relevant rules and regulations and thus can assist them in discharging their duties.

DELEGATION BY THE BOARD

The Board has established three Board committees, namely the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the executive committee (the "Executive Committee") to oversee particular aspects of the Company's affairs and to assist in sharing the Board's responsibilities. The Board has reserved for its decision or consideration on matters covering corporate strategy, annual and interim results, changes of members of the Board and its committees, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. All the Board committees have clear written terms of reference and have to report to the Board regularly on their decisions and recommendations. The day-to-day running of the Company, including implementation of the strategies and plans adopted by the Board and its committees, is delegated to management with divisional heads responsible for different aspects of the business.

AUDIT COMMITTEE

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules, full text of which is available on the Company's website. The Audit Committee consists of the NED and all INEDs and is chaired by Mr. Yim Kai Pung who possesses appropriate professional accounting qualification as required under the Listing Rules.

The primary duties of the Audit Committee include, inter alia, monitoring integrity of the financial statements of the Company and ensuring objectivity and credibility of financial reporting, reviewing the internal control system of the Group as well as overseeing the relationship with the external auditors of the Company.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE (Continued)

During the year under review, three Audit Committee meetings were held and one resolution in writing was passed by all members of the Audit Committee. Details of attendance of the Audit Committee members at the said Audit Committee meetings are set out below:

Audit Committee members	Number of Audit Committee meetings attended/held
Mr. Yim Kai Pung *(Chairman of the Audit Committee)*	3/3
Mr. Choi Kin Pui, Russelle	3/3
Mr. Luk Ka Yee, Patrick	2/3
Ms. Yeung Mo Sheung, Ann	3/3

During the year under review, the Audit Committee had considered, reviewed and/or discussed (1) the auditing and financial reporting matters; (2) the appointment of external auditors including the terms of engagement; (3) the annual and interim results; and (4) the effectiveness of the internal control system of the Group. Each member of the Audit Committee has unrestricted access to the external auditors and all senior staff of the Group.

REMUNERATION COMMITTEE

The Company formulated written terms of reference for the Remuneration Committee in accordance with the requirements of the Listing Rules, full text of which is available on the Company's website. The Remuneration Committee currently consists of the Chairman of the Board, the NED and all INEDs with Mr. Yeung Hoi Sing, Sonny acts as the chairman of the Remuneration Committee.

The major responsibilities of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors and senior management of the Company (the "Senior Management") and on the establishment of a formal and transparent procedure for developing remuneration policy and to determine specific remuneration packages of all executive Directors and the Senior Management. The Remuneration Committee takes into consideration on factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and the Senior Management.

During the year under review, one Remuneration Committee meeting was held and several resolutions in writing were passed by all members of the Remuneration Committee for, inter alia, reviewing the remuneration policy for all Directors and the Senior Management, and determining remuneration packages of certain executive Directors and the Senior Management respectively. Details of attendance of the Remuneration Committee members at the said Remuneration Committee meeting are set out below:

Remuneration Committee members	Number of Remuneration Committee meeting attended/held
Mr. Yeung Hoi Sing, Sonny *(Chairman of the Remuneration Committee)*	1/1
Mr. Choi Kin Pui, Russelle	1/1
Mr. Luk Ka Yee, Patrick	0/1
Mr. Yim Kai Pung	1/1
Ms. Yeung Mo Sheung, Ann	1/1

EXECUTIVE COMMITTEE

The Executive Committee was established by the Board with specific written terms of reference in November 2006. It consists of all executive Directors, namely Mr. Yeung Hoi Sing, Sonny, Mr. Lee Siu Cheung and Mr. Ma Ho Man, Hoffman with Mr. Yeung Hoi Sing, Sonny acts as the chairman of the Executive Committee. The Executive Committee is responsible for reviewing and approving, inter alia, any matters concerning the day-to-day management, business and operation affairs of the Company, and any matters to be delegated to it by the Board from time to time.

NOMINATION OF DIRECTORS

The Company has not established a nomination committee and the Board will review its size, structure and composition (including the skills, knowledge and experience) of the members of the Board from time to time as appropriate to ensure that the Board has a balance of skills and experience appropriate for the business of the Company.

During the year under review, the Board passed a written resolution to appoint Mr. Ma Ho Man, Hoffman as an executive Director after consideration by reference to his ability, skill and experience. Besides, the Board reviewed its own size, structure and composition, and also assessed the independence of INEDs.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS

The Board is responsible for ensuring that the Group maintains sound and effective internal control system so as to safeguard the investment of the Company's shareholders and the assets of the Group. During the year under review, an independent auditor and the Audit Committee have conducted a review of the internal control system of the Group for the year ended 30 September 2006. The Board has assessed the effectiveness of the Group's internal control system by considering the reviews conducted by the said independent auditor and the Audit Committee.

In October 2007, an independent professional firm (the "Independent Professional Firm") has been engaged by the Company to review the internal control system of the Group for the year ended 30 September 2007 which cover all material controls, including financial, operational and compliance controls as well as risk management functions. The Independent Professional Firm has performed the said review and the relevant review report has been considered by the Audit Committee for conducting its review on the effectiveness of the said internal control system. The Board, through the reviews made by the Independent Professional Firm and the Audit Committee, considers that the Group's internal control system has been implemented effectively.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The statement of the external auditors of the Company, CCIF CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Report of Auditors on page 33.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

AUDITORS' REMUNERATION

For the year ended 30 September 2007, the amounts paid to the external auditors of the Group in respect of the following services provided to the Group are as follows:

	30 September 2007 HK$'000
Audit services	947
Taxation advisory services	45
Other advisory services	200
	1,192

COMMUNICATION WITH SHAREHOLDERS

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. At the annual general meeting of the Company held on 19 March 2007 ("2007 Annual General Meeting"), the Chairman as well as the chairmen of the Audit Committee and the Remuneration Committee were present to answer shareholders' questions.

Separate resolutions are proposed at general meetings on each substantially separate issues, including the election of individual Directors.

Details of the poll voting procedures and the rights of shareholders to demand a poll were included in the circular to shareholders of the Company (the "Shareholders") regarding, inter alia, the notice of 2007 Annual General Meeting. The said circular also contained relevant details of the proposed resolutions, including biographical details of each Director standing for re-election.

At the 2007 Annual General Meeting, all the resolutions were dealt with on a show of hands and were passed by the Shareholders.

REPORT OF DIRECTORS

The directors ("Director(s)") of Macau Success Limited (the "Company") present their annual report together with the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 September 2007.

1. PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the leasing and management of the 55% owned cruise and other tourist-related businesses.

Particulars of the Company's subsidiaries as at 30 September 2007 are set out in note 18 to the financial statements.

2. RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 34.

No interim dividend was paid during the year under review (2006: 0.15 HK cents per share). The Directors do not recommend any payment of a final dividend for the year ended 30 September 2007 (2006: Nil).

3. SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the financial statements.

4. FIVE-YEAR FINANCIAL SUMMARY

A financial summary of the Group for the past five financial years is set out on page 80.

5. SHARE CAPITAL

Details of the Company's share capital are set out in note 26 to the financial statements.

6. RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 37 of this annual report and other details of the reserves of the Group are set out in note 28 to the financial statements.

7. PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

8. DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive Directors:

Mr. Yeung Hoi Sing, Sonny *(Chairman)*
Mr. Lee Siu Cheung *(Deputy Chairman)*
Mr. Ma Ho Man, Hoffman *(appointed on 20 March 2007)*

Non-executive Director:

Mr. Choi Kin Pui, Russelle

Independent Non-executive Directors:

Mr. Luk Ka Yee, Patrick
Mr. Yim Kai Pung
Ms. Yeung Mo Sheung, Ann

Mr. Ma Ho Man, Hoffman, being a Director appointed by the board of Directors (the "Board") on 20 March 2007, will retire from office in accordance with bye-law no. 86(2) of the Bye-laws of the Company and, being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company (the "Annual General Meeting").

In accordance with bye-law no. 87 of the Bye-laws of the Company, Mr. Luk Ka Yee, Patrick and Ms. Yeung Mo Sheung, Ann will retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting.

9. DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REPORT OF DIRECTORS

10. SIGNIFICANT CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

11. MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

12. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 September 2007, the Directors or chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise, notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Interest in the shares of the Company (the "Shares")

Name	Long position/ Short position	Nature of interest	Number of Shares held	Approximate percentage of shareholding %
Mr. Yeung Hoi Sing, Sonny *(Note)*	Long position	Corporate interest	987,841,432	44.91

Note: Mr. Yeung Hoi Sing, Sonny, an executive Director and the chairman of the Company, is deemed to have corporate interest in 987,841,432 Shares by virtue of the interest of the Shares held by Silver Rich Macau Development Limited, which is wholly-owned by a discretionary trust, the beneficiaries of which are family members of Mr. Yeung Hoi Sing, Sonny.

Save as disclosed above, as at 30 September 2007, none of the Directors or chief executive of the Company, or their respective associates, had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise, notified to the Company and the Stock Exchange pursuant to the Model Code.

13. SHARE OPTIONS SCHEME AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of the share option scheme are set out in note 27(b) to the financial statements.

At no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

14. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 September 2007, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Interest in the Shares

Name	Long position/ Short position	Capacity	Number of Shares held	Approximate percentage of shareholding %
Silver Rich Macau Development Limited	Long position	Beneficial owner	987,841,432	44.91
Trustcorp Limited *(Note 1)*	Long position	Trustee	987,841,432	44.91
Newcorp Ltd. *(Note 1)*	Long position	Interest of controlled corporation	987,841,432	44.91
Newcorp Holdings Ltd. *(Note 1)*	Long position	Interest of controlled corporation	987,841,432	44.91
Mr. David Henry Christopher Hill *(Note 1)*	Long position	Interest of controlled corporation	987,841,432	44.91
Mr. David William Roberts *(Note 1)*	Long position	Interest of controlled corporation	987,841,432	44.91
Mrs. Rebecca Ann Hill *(Note 2)*	Long position	Interest of spouse	987,841,432	44.91
Ms. Liu Siu Lam, Marian *(Note 3)*	Long position	Interest of spouse	987,841,432	44.91

Notes:

1. The entire issued share capital of Silver Rich Macau Development Limited is held by Trustcorp Limited, which is a trustee of a discretionary trust, the beneficiaries of which are family members of Mr. Yeung Hoi Sing, Sonny. Trustcorp Limited is a wholly-owned subsidiary of Newcorp Ltd., which is in turn wholly-owned by Newcorp Holdings Ltd.. Newcorp Holdings Ltd. is owned as to 35% by each of Mr. David Henry Christopher Hill and Mr. David William Roberts. Accordingly, each of Trustcorp Limited, Newcorp Ltd., Newcorp Holdings Ltd., Mr. David Henry Christopher Hill and Mr. David William Roberts was deemed to be interested in 987,841,432 Shares held by Silver Rich Macau Development Limited.

2. Mrs. Rebecca Ann Hill, being the spouse of Mr. David Henry Christopher Hill, was deemed to be interested in 987,841,432 Shares in which Mr. David Henry Christopher Hill had a deemed interest.

3. Ms. Liu Siu Lam, Marian, being the spouse of Mr. Yeung Hoi Sing, Sonny, was deemed to be interested in 987,841,432 Shares in which Mr. Yeung Hoi Sing, Sonny had a deemed interest.

Save as disclosed above, as at 30 September 2007, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares and underlying Shares which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

15. DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

In relation to the financial assistance granted by the Group to an associate and a corporate guarantee borne by the Company to secure the syndicated loan facility to the associate, a consolidated balance sheet of the associate together with its subsidiaries and the Group's consolidated attributable interest in such associates as at 30 September 2007 required to be disclosed under Rule 13.22 of the Listing Rules are set out in note 19(e) to the financial statements.

16. CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

The Company had no outstanding convertible securities, options, warrants or other similar rights as at 30 September 2007.

REPORT OF DIRECTORS

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

During the year, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

18. MAJOR SUPPLIERS AND CUSTOMERS

During the year, the five largest customers of the continuing operations of the Group accounted for 94.8% of total turnover of the continuing operations of the Group of which the largest customer accounted for approximately 92.4% and the five largest suppliers of the continuing operations of the Group accounted for 80.4% of total purchases of the continuing operations of the Group, of which the largest supplier accounted for approximately 41.6%.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the above five largest customers or five largest suppliers, except that Mr. Yeung Hoi Sing, Sonny, an executive Director, is one of the Group's five largest customers accounted for approximately 0.5% of total turnover of the continuing operations of the Group.

19. CHARITABLE CONTRIBUTIONS

During the year, no charitable contributions (2006: Nil) were made by the Group.

20. POST BALANCE SHEET EVENTS

Details of the significant events after the balance sheet date are set out in note 33 to the financial statements.

21. PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws of the Company which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

22. SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the Company has maintained a sufficient public float as prescribed under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

23. EMOLUMENT POLICY

The remuneration committee of the Board (the "Remuneration Committee") is responsible for determining specific remuneration packages of all executive Directors and senior management of the Company (the "Senior Management"). Besides, the Remuneration Committee makes recommendation to the Board for its determination on the remuneration of the non-executive Director and the independent non-executive Directors. Factors such as salaries paid by comparable companies, qualifications, experience, time commitment and responsibilities of the Directors and the Senior Management are considered by the Remuneration Committee for determining/making proposals on remuneration of the relevant Directors and the Senior Management.

The remuneration packages of employees of the Group (other than the executive Directors and the Senior Management) are determined and reviewed periodically on the basis of their respective qualifications, experience, responsibilities and performances. In addition to salaries, the Company offers staff benefits which include medical insurance and retirement benefits under the Mandatory Provident Fund Scheme. The Group also operates a share option scheme pursuant to which share options might be granted as a long-term incentive to its directors and employees.

24. CORPORATE GOVERNANCE

The Company has published its Corporate Governance Report, details of which are set out on pages 23 to 26 of this annual report.

25. AUDITORS

The consolidated financial statements have been audited by CCIF CPA Limited who will retire at the Annual General Meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Yeung Hoi Sing, Sonny
Chairman

Hong Kong, 21 January 2008

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yeung Hoi Sing, Sonny, aged 53, joined the Group in 2003. He is an executive director and the chairman of the Company as well as a director of the subsidiaries of the Company. He is also the chairman of the remuneration committee (the "Remuneration Committee") and the executive committee (the "Executive Committee") of the Company. Mr. Yeung is responsible for the overall corporate planning and business development of the Group. He has been a member of the Chinese People's Political Consultative Conference, the People's Republic of China (the "PRC") since 1993 and has over 24 years of experience in finance industry in Hong Kong. Prior to joining the Group, Mr. Yeung held managerial roles in several financial service sectors such as leveraged foreign exchange trading, and securities and futures brokerage. He is presently the sole beneficial owner of Success Securities Limited, which is a licensed corporation under the Securities and Futures Ordinance and also a participant of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), principally engaged in the provision of securities brokerage services. Mr. Yeung has certain private investments in travel agency businesses in the United States (the "US") and Canada and property development businesses in Hong Kong and Canada. He is also a director of Silver Rich Macau Development Limited, being a substantial shareholder of the Company.

Mr. Lee Siu Cheung, aged 43, joined the Group in 2003. He is an executive director and the deputy chairman of the Company as well as a director of the subsidiaries of the Company. He is also a member of the Executive Committee. Mr. Lee is responsible for overseeing the business operations and the property and project development of the Group. He is a member of Hong Kong Institute of Architects and an Authorised Person (List of Architects). Mr. Lee has over 19 years of experience in the architectural industry and has worked for a number of architects companies in Hong Kong. Before joining the Group, he was a consultant of a real estate project management company responsible for project management.

Mr. Ma Ho Man, Hoffman, aged 34, joined the Group in 2005. He is an executive director of the Company and a director of the subsidiaries of the Company. He is also a member of the Executive Committee. Mr. Ma is responsible for marketing and investor relations affairs of the Company. Since 2000, he has been a managing director of Success Securities Limited and has been responsible for overseeing the marketing affairs of such company. Mr. Ma has over 11 years of experience in the financial industry and years of managerial experience.

NON-EXECUTIVE DIRECTOR

Mr. Choi Kin Pui, Russelle, aged 53, joined the Group in 2003. He is a non-executive director of the Company and a member of the audit committee of the Company (the "Audit Committee") and the Remuneration Committee. Mr. Choi graduated from St. Pius X High School in 1976. He has over 14 years of management experience in the telecommunication industry in Hong Kong and the US. Mr. Choi established Elephant Talk Limited in 1994, a wholly-owned subsidiary of an American corporation, Elephant Talk Communications Inc. ("ETCI"), whose securities are quoted on the Over-The-Counter Bulletin Board in the US and engages in the provision of telecommunications services in Hong Kong and the US. Mr. Choi was the president and the chief executive officer of ETCI and was responsible for the planning of its overall strategy. He also served as chairman of ET Network Services Limited, a company incorporated in Hong Kong with limited liability and engages in the provision of internet access and outsourcing services in the PRC and Hong Kong. Mr. Choi is presently an executive director of Mintel Inc., a licensed carrier in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Luk Ka Yee, Patrick, aged 46, joined the Group in 2003. He is an independent non-executive director of the Company and a member of the Audit Committee and the Remuneration Committee. Mr. Luk obtained a Law Degree in England in 1986. Throughout his tenure of career, Mr. Luk has been appointed to serve in various senior management positions which involved corporate/legal and property development as well as property management aspects. He is presently the consultant to Pacific Rich Management & Consultants Limited, a company providing property and facilities management in Hong Kong.

Mr. Yim Kai Pung, aged 42, joined the Group in 2004. He is an independent non-executive director of the Company, the chairman of the Audit Committee and a member of the Remuneration Committee. Mr. Yim holds a Bachelor degree of Accountancy with honours from City University of Hong Kong in 1993 and is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants of the United Kingdom. He has over 17 years of experience in auditing, taxation and provision of finance consultancy services for companies in Hong Kong and the PRC. Mr. Yim is presently a sole proprietor of David Yim & Co., Certified Public Accountants. He was an independent non-executive director of Magician Industries (Holdings) Limited, a company listed on the Main Board of the Stock Exchange, and an executive director of Tiger Tech Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Ms. Yeung Mo Sheung, Ann, aged 43, joined the Group in 2004. She is an independent non-executive director of the Company and a member of the Audit Committee and the Remuneration Committee. Ms. Yeung holds a Bachelor degree of Retail Marketing with honours in the United Kingdom and a Diploma in Marketing from The Chartered Institute of Marketing. She pursued her further study on legal course and has been awarded a Diploma in Legal Practice in the United Kingdom in 1998 and is presently a partner of Messrs. Fung & Fung, Solicitors, a legal firm in Hong Kong. Ms. Yeung is currently an independent non-executive director of Fast Systems Technology (Holdings) Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, and she was also a non-executive director of Zhong Hua International Holdings Limited, a company listed on the Main Board of the Stock Exchange.

COMPANY SECRETARY

Ms. Chiu Nam Ying, Agnes, aged 34, joined the Group in 2003. She is the company secretary of the Company and is responsible for overseeing all legal matters of the Group. Ms. Chiu is a qualified solicitor and holds a Master degree of Laws from The University of Sheffield, United Kingdom in 1997. Before joining the Group, Ms. Chiu was a practicing solicitor in a local law firm and possessed solid experience in banking and finance as well as property related matters.

QUALIFIED ACCOUNTANT

Mr. Luk Sai Wai, Simon, aged 44, joined the Group in 2003. He is the qualified accountant of the Company and the financial controller of the Group. He is responsible for finance and accounting matters of the Group. Mr. Luk holds a Bachelor degree of Business Administration from Hong Kong Baptist University and a Master degree of Business Administration from University of Strathclyde, United Kingdom. He is also a fellow member of The Association of Chartered Certified Accountants of the United Kingdom and an associate member of Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Mr. Luk was the financial controller of the financial services stem of a listed group in Hong Kong and the group financial controller of another listed group in Hong Kong. He has extensive experience in auditing, trading, manufacturing and financial industries.

REPORT OF AUDITORS

CCIF

CCIF CPA LIMITED

20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MACAU SUCCESS LIMITED
(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

We have audited the consolidated financial statements of Macau Success Limited (the "Company") set out on pages 34 to 79, which comprise the consolidated and Company balance sheets as at 30 September 2007, and the consolidated income statement, the consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 21 January 2008

Delores Teh
Practising Certificate Number P03207

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	7	**103,754**	103,530
Cost of sales		**(8,069)**	(7,871)
Gross profit		**95,685**	95,659
Other revenue	8	**30,693**	24,983
		126,378	120,642
Administrative expenses		**(92,309)**	(71,725)
Profit from operations		**34,069**	48,917
Finance costs	9(a)	**(1,675)**	–
Share of results of associates		**(15,450)**	(386)
Profit before taxation	9	**16,944**	48,531
Income tax	10	**(672)**	(372)
Profit for the year		**16,272**	48,159
Attributable to:			
Equity shareholders of the Company		**2,314**	28,380
Minority interests		**13,958**	19,779
Profit for the year		**16,272**	48,159
Dividends payable to equity shareholders of the Company attributable to the year:			
Interim dividend declared during the year	14	**–**	3,209
Earnings per share	15		
– Basic		**0.11 HKcents**	1.41 HKcents
– Diluted		**N/A**	N/A

The notes on pages 40 to 79 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**87,945**	91,536
Goodwill	17	**1,313**	1,313
Interest in associates	19	**886,930**	376,015
Available-for-sale investment	20	**–**	25,239
		976,188	494,103
CURRENT ASSETS			
Inventories	21	**1,323**	1,178
Trade and other receivables	22	**18,398**	13,509
Pledged bank deposits		**751**	729
Cash and cash equivalents		**200,719**	468,876
		221,191	484,292
CURRENT LIABILITIES			
Trade and other payables	23	**106,422**	6,047
Tax payable		**961**	157
		107,383	6,204
NET CURRENT ASSETS		**113,808**	478,088
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,089,996**	972,191
NON-CURRENT LIABILITIES			
Loans from minority shareholders	24	**–**	5,056
Deferred tax liabilities	25	**83**	215
Financial guarantee contract	30	**63,000**	–
		63,083	5,271
NET ASSETS		**1,026,913**	966,920
CAPITAL AND RESERVES			
Share capital	26	**21,995**	21,395
Reserves	28	**954,935**	905,221
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**976,930**	926,616
MINORITY INTERESTS	28	**49,983**	40,304
TOTAL EQUITY		**1,026,913**	966,920

Approved and authorised for issue by the board of directors on 21 January 2008.
On behalf of the board

Yeung Hoi Sing, Sonny
Director

Lee Siu Cheung
Director

The notes on pages 40 to 79 form part of these financial statements.

BALANCE SHEET

AT 30 SEPTEMBER 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Interest in subsidiaries	18	**636,497**	274,662
CURRENT ASSETS			
Deposits, prepayments and other receivables	22	**209**	165
Cash and cash equivalents		**181,045**	428,673
		181,254	428,838
CURRENT LIABILITIES			
Accruals and other payables	23	**912**	1,940
		912	1,940
NET CURRENT ASSETS		**180,342**	426,898
TOTAL ASSETS LESS CURRENT LIABILITIES		**816,839**	701,560
NON-CURRENT LIABILITIES			
Financial guarantee contract	30	**63,000**	–
NET ASSETS		**753,839**	701,560
CAPITAL AND RESERVES			
Share capital	26	**21,995**	21,395
Reserves	28	**731,844**	680,165
TOTAL EQUITY		**753,839**	701,560

Approved and authorised for issue by the board of directors on 21 January 2008.
On behalf of the board

Yeung Hoi Sing, Sonny
Director

Lee Siu Cheung
Director

The notes on pages 40 to 79 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2007

	Attributable to equity shareholders of the Company								
	Share capital HK$'000	**Share premium** HK$'000	**Distributable reserve** HK$'000	**Capital redemption reserve** HK$'000	**Property revaluation reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total equity** HK$'000
At 1 October 2005	19,045	362,920	52,333	976	187,065	27,160	649,499	31,235	680,734
Placing of new shares	2,350	253,800	–	–	–	–	256,150	–	256,150
Share issuance costs	–	(4,204)	–	–	–	–	(4,204)	–	(4,204)
Profit for the year	–	–	–	–	–	28,380	28,380	19,779	48,159
Interim dividend declared during the year	–	–	–	–	–	(3,209)	(3,209)	(10,710)	(13,919)
At 30 September 2006	21,395	612,516	52,333	976	187,065	52,331	926,616	40,304	966,920
At 1 October 2006	21,395	612,516	52,333	976	187,065	52,331	926,616	40,304	966,920
Allotment of consideration shares (note 26(b))	600	47,400	–	–	–	–	48,000	–	48,000
Profit for the year	–	–	–	–	–	2,314	2,314	13,958	16,272
Interim dividend declared during the year	–	–	–	–	–	–	–	(4,279)	(4,279)
At 30 September 2007	**21,995**	**659,916**	**52,333**	**976**	**187,065**	**54,645**	**976,930**	**49,983**	**1,026,913**

The notes on pages 40 to 79 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2007

	Notes	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**16,944**	48,531
Adjustments for:			
Interest income		**(10,197)**	(20,574)
Finance costs		**1,675**	–
Depreciation		**8,710**	7,512
Share of results of associates		**15,450**	386
Dividend from available-for-sale investment		**(1,133)**	(1,133)
Gain on disposal of securities		**(4,391)**	–
Loss on disposal of property, plant and equipment		**175**	2
Gain on disposal of available-for-sale investment		**(10,330)**	–
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL		**16,903**	34,724
(Increase)/decrease in inventories		**(145)**	3
Increase in trade and other receivables		**(4,889)**	(672)
Increase in trade and other payables		**100,375**	895
CASH GENERATED FROM OPERATIONS		**112,244**	34,950
Tax paid		**–**	–
NET CASH GENERATED FROM OPERATING ACTIVITIES		**112,244**	34,950
INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment		**(5,337)**	(8,803)
Payment for subscription of convertible bonds		**(11,875)**	–
Net proceeds from disposal of securities from exercise of convertible bonds	8	**16,266**	–
Further acquisition of 12.25% interest in associates	19(c)	**(153,231)**	–
Repayment of loan by a related party		**–**	51,562
Cash advanced to associates		**(262,134)**	(37,359)
Net proceeds from disposal of available-for-sale investment	20	**35,569**	–
Proceeds from disposal of property, plant and equipment		**43**	–
Increase in pledged bank deposits		**(22)**	(21)
Interest income		**10,197**	20,574
Dividend from available-for-sale investment		**1,133**	1,133
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(369,391)**	27,086

CONSOLIDATED CASH FLOW STATEMENT

	Notes	2007 HK$'000	2006 HK$'000
FINANCING ACTIVITIES			
Proceeds from issue of shares		–	256,150
Cost on issue of new shares		–	(4,204)
Proceeds of loan from a financial institution		130,000	–
Repayment of loan from a financial institution		(130,000)	–
Finance costs		(1,675)	–
Repayments of loans from minority shareholders		(5,056)	(21,152)
Dividend paid to equity shareholders of the Company		–	(3,209)
Dividend paid to minority interests		(4,279)	(10,710)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		(11,010)	216,875
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(268,157)	278,911
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		468,876	189,965
CASH AND CASH EQUIVALENTS AT END OF YEAR		200,719	468,876
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		200,719	468,876

Non-cash transaction

The principal non-cash transaction is the issue of shares as consideration for the transaction disclosed in 26(b).

The notes on pages 40 to 79 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2007

1. ORGANISATION AND PRINCIPAL ACTIVITIES

The Company was incorporated as an exempted company with limited liability in Bermuda on 27 May 2004 under the Companies Act (1981) of Bermuda and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 18 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The consolidated financial statements for the year ended 30 September 2007 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of Preparation of the Financial Statements

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 5.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and Minority Interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. In preparing the consolidated financial statements, intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, minority interests are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits under the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interest and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with note 2(l).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)).

(d) Associates

An associate is an entity in which the Group has significant influence, but not control over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition and post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates for the year (see notes 2(e) and (i)).

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates (Continued)

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(i)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associates.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

(f) Other Investments in Debt and Equity Securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and associates are as follows:

Investments in securities held for trading are classified as current assets and are initially stated at fair value. At each balance sheet date, the fair value is remeasured, with an resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are initially recognised in the balance sheet at fair value plus transaction costs. Subsequently, they are stated in the balance sheet at amortised cost less impairment losses (see note 2(i)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(i)).

Other investments in securities are classified as available-for-sale securities and measured at cost less accumulated impairment losses (see note 2(i)) at each balance sheet date because the range of reasonable fair value estimates is so significant that the fair value cannot be measured reliably.

Investments are recognised/derecognised when the rights to receive cash flows from the investments have been transferred and all the risks and rewards of ownership of the investments have been transferred substantially or they expire.

(g) Property, Plant and Equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(i)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, Plant and Equipment (Continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Leasehold improvements	Over lease terms
Cruise	5%
Plant and machinery	20%
Furniture, fittings and office equipment	20% – 33 1/3%
Motor vehicles	30% – 33 1/3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Operating Lease Charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(i) Impairment of Assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities and current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for current receivables are reversed if in a subsequent period the amount of the impairment loss decreases. Impairment losses for equity securities are not reversed.

– For financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of Assets (Continued)

(i) Impairment of investments in debt and equity securities and other receivables (Continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment

– investments in subsidiaries and associates

– goodwill

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of Assets (Continued)

(ii) Impairment of other assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out formula and comprises all costs of purchase in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

(k) Trade and Other Receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 2(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 2(i)).

(l) Trade and Other Payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Cash and Cash Equivalents

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

(n) Employee Benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

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.

(o) Income Tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Income Tax (Continued)

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

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in period into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences related to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reserve in the future.

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

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Income Tax (Continued)

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Financial Guarantees Issued, Provisions and Contingent Liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are accounted for as financial instruments under HKAS 39 and are initially recognised at fair value. Subsequently, such contracts are measured at the higher of the amount determined in accordance with HKAS 37- Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, where appropriate, cumulative amortisation recognised over the life of the guarantee on a straight – line basis.

(ii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company 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 expenditure expected to settle the obligation.

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 of economic benefits 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 of economic benefits is remote.

(q) Revenue Recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Cruise leasing income is recognised on an accrual basis in accordance with the terms of the leasing agreement.

(ii) Cruise management fee income, revenue from travel agent services and management income are recognised when the management services, travel agent services and administrative services are rendered.

(iii) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iv) Interest income is recognised as it accrues using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Translation of Foreign Currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(s) Borrowing Costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(t) Related Parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence or such individuals;

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Related Parties (Continued)

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(u) Segment Reporting

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

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

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. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between the Group's enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

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.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

NOTES TO THE FINANCIAL STATEMENTS

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group.

Note 2 summaries the accounting policies of the Group after the adoption of these developments to the extent that they are relevant to the Group. The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period (see note 34).

HKAS 39 and HKFRS 4 (Amendments) "Financial Guarantee Contracts" is effective for annual periods beginning on or after 1 January 2006.

Financial guarantee contracts were previously only disclosed as contingent liabilities as they did not fall within the scope of HKAS 39. Following the introduction of HKAS 39 and HKFRS 4 (Amendments), financial guarantee contracts should be treated as financial liabilities. Financial guarantee contracts should be measured initially at fair value and subsequently at the higher of (i) the amount determined in accordance with HKAS 37 – Provisions, Contingent Liabilities and Contingent Assets and (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the life of the guarantee on a straight-line basis.

The impact for the adoption of HKAS 39 and HKFRS 4 (Amendments) on the consolidated balance sheet as at 1 October 2005, 30 September 2006 and 2007:

	1 October 2005 HK$'000	30 September 2006 HK$'000	**30 September 2007 HK$'000**
Increase in assets			
Increase in interest in associates	–	–	**63,000**
	–	–	**63,000**
Increase in liabilities			
Increase in financial guarantee contract	–	–	**63,000**
	–	–	**63,000**

NOTES TO THE FINANCIAL STATEMENTS

3. CHANGES IN ACCOUNTING POLICIES (Continued)

The impact for the adoption of HKAS 39 and HKFRS 4 (Amendments) on the Company's balance sheet as at 1 October 2005, 30 September 2006 and 2007:

	1 October 2005 HK$'000	30 September 2006 HK$'000	**30 September 2007 HK$'000**
Increase in assets			
Increase in interest in subsidiaries	–	–	**63,000**
	–	–	**63,000**
Increase in liabilities			
Increase in financial guarantee contract	–	–	**63,000**
	–	–	**63,000**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity investments, trade receivables, trade payables and bank balances and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Interest rate risk

As the Group has no significant interest bearing liabilities, the Group's exposure to market risk for changes in interest rates relates primarily to the cash and bank balances and short term time deposits. Floating-rate interest income is charged to the income statement as incurred.

(b) Foreign currency risk

Most of the Group's monetary assets and liabilities are denominated in Hong Kong dollars, and the Group conducted its business transactions principally in Hong Kong dollars. The exchange rate risk of the Group is not significant.

NOTES TO THE FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk

Syndicated loan facility granted to an associate held by a then indirect wholly-owned subsidiary of the Company was HK$1,600 million. The maximum guarantee amount borne by the Company was HK$860 million. The syndicated loan facility utilised by the associate at the balance sheet date was HK$1,010 million. The details of the financial guarantee are set out in note 30.

The Group has no other significant concentrations of credit risk and trade debtors are managed in accordance with the credit policies. The details of the Group credit policies are set out in note 22.

(d) Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and the flexibility through the use of bank overdrafts and bank loans.

(e) Fair value

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Trade and other payables are initially recongised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are currently evaluated and are based on historical experience and other factors, including expectations of future-events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

(a) Property, plant and equipment and depreciation

The Group assesses annually whether property, plant and equipment have any indication of impairment. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgements and estimates.

(b) Impairment of assets

The Group tests annually whether assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined on the value-in-use calculation. These calculations require use of estimate.

6. 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.

NOTES TO THE FINANCIAL STATEMENTS

6. SEGMENT REPORTING (Continued)

(a) Business segment

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services provided.

Each of the Group's business segments represents a strategic business unit that offers:

– Cruise leasing and management business: the leasing of cruise and the provision of management services to the cruise.

– Travel business: the provision of travel-related agency services.

	Cruise leasing and management		Travel		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Revenue						
Turnover	**95,901**	95,717	**7,853**	7,813	**103,754**	103,530
Other revenue	**184**	108	**72**	85	**256**	193
Total revenue	**96,085**	95,825	**7,925**	7,898	**104,010**	103,723
Results						
Segment results	**32,035**	45,046	**(513)**	(459)	**31,522**	44,587
Interest income					**10,048**	20,465
Unallocated operating income and expenses					**(7,501)**	(16,135)
Profit from operations					**34,069**	48,917
Finance costs					**(1,675)**	–
Share of results of associates					**(15,450)**	(386)
Profit before taxation					**16,944**	48,531
Income tax					**(672)**	(372)
Profit for the year					**16,272**	48,159
Balance Sheet						
Assets						
Segment assets	**119,204**	106,778	**1,432**	1,314	**120,636**	108,092
Interest in associates					**886,930**	376,015
Unallocated assets					**189,813**	494,288
Consolidated total assets					**1,197,379**	978,395
Liabilities						
Segment liabilities	**5,603**	9,021	**170**	231	**5,773**	9,252
Unallocated liabilities					**164,693**	2,223
Consolidated total liabilities					**170,466**	11,475

NOTES TO THE FINANCIAL STATEMENTS

6. SEGMENT REPORTING (Continued)

(a) Business segment (Continued)

	Cruise leasing and management		Travel		Unallocated		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Other information:								
Depreciation	**7,325**	6,720	**20**	24	**1,365**	768	**8,710**	7,512
Capital expenditure	**25**	7,839	**1**	24	**5,311**	940	**5,337**	8,803

(b) Geographical segment

The Group's business is managed on a worldwide basis, but participates in three principal economic environments. The cruise leasing and management income is mainly derived from South China Sea, other than in Hong Kong. In Hong Kong, the main business is the provision of travel-related agency services.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	South China Sea, other than in Hong Kong		Hong Kong		Macau		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Segment revenue								
Turnover	**95,901**	95,717	**7,853**	7,813	**–**	–	**103,754**	103,530
Segment assets	**119,211**	116,873	**190,689**	484,978	**887,479**	376,544	**1,197,379**	978,395
Capital expenditure	**25**	7,839	**5,312**	964	**–**	–	**5,337**	8,803

NOTES TO THE FINANCIAL STATEMENTS

7. TURNOVER

The principal activities of the Group are leasing and management of cruise and tourists-related business.

Turnover represents cruise leasing and management fee income and travel agent service fee income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2007	2006
	HK$'000	HK$'000
Cruise leasing and management fee income	**95,901**	95,717
Travel agent service fee income	**7,853**	7,813
	103,754	103,530

8. OTHER REVENUE

	2007	2006
	HK$'000	HK$'000
Gain on disposal of securities*	**4,391**	–
Gain on disposal of available-for-sale investment	**10,330**	–
Commission income	**45**	60
Dividend from available-for-sale investment	**1,133**	1,133
Interest income	**10,197**	20,574
Management income	**4,534**	2,877
Others	**63**	339
	30,693	24,983

* During the year, Better Talent Limited, an indirect wholly-owned subsidiary of the Company, as subscriber, entered into a subscription agreement with an independent third party, China Star Entertainment Limited ("China Star"), a company listed on the Stock Exchange, for the subscription of China Star's zero coupon unsecured convertible bonds at the subscription price of approximately HK$11.9 million. The convertible bonds were exercised and converted into ordinary shares of China Star and such shares were subsequently disposed in the open market during the year. The net proceeds received was approximately HK$16.3 million.

NOTES TO THE FINANCIAL STATEMENTS

9. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2007 HK$'000	2006 HK$'000
Interest expenses on other borrowings wholly repayable within five years	**1,675**	–

(b) Staff costs

	2007 HK$'000	2006 HK$'000
Salaries, wages and other benefit (including directors' emoluments)	**35,394**	31,337
Contribution to defined contribution retirement plan	**629**	489
	36,023	31,826

(c) Other items

	2007 HK$'000	2006 HK$'000
Auditors' remuneration	**947**	651
Depreciation		
Owned fixed assets	**8,710**	7,512
Operating lease rentals		
Properties	**4,398**	2,011
Plant and machinery	**40**	23
Exchange gain	**(37)**	(47)
Cost of inventories#	**17,044**	9,534

Included within administrative expenses

NOTES TO THE FINANCIAL STATEMENTS

10. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2007 **HK$'000**	2006 HK$'000
Hong Kong Profits Tax		
– Charge for the year	**804**	157
Deferred taxation relating to the origination and reversal of temporary differences (note 25(a))	**(132)**	215
	672	372

The provision for Hong Kong Profits Tax for 2007 is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2007 **HK$'000**	2006 HK$'000
Profit before tax	**16,944**	48,531
Share of results of associates	**15,450**	386
Profit before tax attributable to the Company and its subsidiaries	**32,394**	48,917
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	**5,669**	8,561
Tax effect of non-deductible expenses	**1,246**	1,182
Tax effect of non-taxable revenue	**(9,280)**	(11,042)
Tax effect of unrecognised tax losses	**3,319**	1,748
Unrecognised temporary differences	**(282)**	407
Tax effect on utilisation of previously unrecognised tax losses	**–**	(484)
Tax charge	**672**	372

NOTES TO THE FINANCIAL STATEMENTS

11. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

Name	Directors' fees		Salaries, allowances and benefits in kind		Retirement scheme contributions		Total	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Executive Directors								
Yeung Hoi Sing, Sonny	**–**	–	**–**	–	**–**	–	**–**	–
Lee Siu Cheung	**–**	–	**889**	1,343	**12**	12	**901**	1,355
Ma Ho Man, Hoffman (appointed on 20 March 2007)	**–**	–	**210**	–	**6**	–	**216**	–
Chan William (resigned on 28 September 2006)	**–**	–	**–**	638	**–**	12	**–**	650
Non-executive Director								
Choi Kin Pui, Russelle	**100**	90	**–**	–	**–**	–	**100**	90
Independent Non-executive Directors								
Luk Ka Yee, Patrick	**100**	90	**–**	–	**–**	–	**100**	90
Yim Kai Pung	**100**	90	**–**	–	**–**	–	**100**	90
Yeung Mo Sheung, Ann	**100**	90	**–**	–	**–**	–	**100**	90
	400	360	**1,099**	1,981	**18**	24	**1,517**	2,365

NOTES TO THE FINANCIAL STATEMENTS

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals with the highest emoluments, one (2006: two) is a director whose emoluments is disclosed in note 11. The aggregate of the emoluments in respect of the other four (2006: three) individuals are as follows:

	2007 **HK$'000**	2006 HK$'000
Salaries, allowances and benefits in kind	**2,272**	2,010
Retirement benefit scheme contributions	**45**	38
	2,317	2,048

The emoluments of the four (2006: three) individuals with the highest emoluments are within the following band:

	Number of individuals	
	2007	2006
HK$Nil – HK$1,000,000	**4**	3

13. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of approximately HK$4,279,000 (2006: HK$2,889,000) which has been dealt with in the financial statements of the Company.

14. DIVIDENDS

	2007 **HK$'000**	2006 HK$'000
Interim dividend declared and paid of Nil (2006: 0.15HK cents) per ordinary share	**–**	3,209

The directors of the Company do not recommend any payment of a final dividend for the year ended 30 September 2007 (2006: Nil).

NOTES TO THE FINANCIAL STATEMENTS

15. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to equity shareholders of the Company of approximately HK$2,314,000 (2006: HK$28,380,000) and on the weighted average number of 2,174,642,000 ordinary shares (2006: 2,010,697,000) in issue during the year.

Weighted average number of ordinary shares

	'000
Issued ordinary shares at 1 October 2005	1,904,464
Effect of share placing	106,233
Weighted average number of ordinary shares at 30 September 2006	2,010,697
Issued ordinary shares at 1 October 2006	2,139,464
Effect of allotment of consideration shares	35,178
Weighted average number of ordinary shares at 30 September 2007	2,174,642

(b) Diluted earnings per share

There was no dilution effect on the basic earnings per share for the year ended 30 September 2007 and 30 September 2006 respectively as there were no dilutive instruments outstanding during both years.

NOTES TO THE FINANCIAL STATEMENTS

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Cruise HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fittings and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 October 2005	93,600	2,293	2,024	3,456	230	101,603
Additions	–	503	7,829	471	–	8,803
Disposals	–	–	–	(4)	–	(4)
At 30 September 2006 and 1 October 2006	93,600	2,796	9,853	3,923	230	110,402
Additions	–	2,798	–	938	1,601	5,337
Disposals	–	(1,746)	–	(386)	–	(2,132)
At 30 September 2007	93,600	3,848	9,853	4,475	1,831	113,607
Accumulated depreciation						
At 1 October 2005	8,190	1,366	685	994	121	11,356
Charge for the year	4,680	685	1,318	752	77	7,512
Written back on disposals	–	–	–	(2)	–	(2)
At 30 September 2006 and 1 October 2006	12,870	2,051	2,003	1,744	198	18,866
Charge for the year	4,680	947	1,970	845	268	8,710
Written back on disposals	–	(1,684)	–	(230)	–	(1,914)
At 30 September 2007	17,550	1,314	3,973	2,359	466	25,662
Net book value						
At 30 September 2007	76,050	2,534	5,880	2,116	1,365	87,945
At 30 September 2006	80,730	745	7,850	2,179	32	91,536

NOTES TO THE FINANCIAL STATEMENTS

17. GOODWILL

	Group HK$'000
Cost	
At 1 October 2005, 30 September 2006 and 2007	1,313
Accumulated impairment losses	
At 1 October 2005, 30 September 2006 and 2007	–
Carrying amount	
At 30 September 2007	1,313
At 30 September 2006	1,313

For impairment assessment of goodwill, goodwill is allocated to the business segment of provision of cruise management service. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

During the year ended 30 September 2007, management of the Group determines that there was no impairment of goodwill. The recoverable amount of the cash-generating unit ("CGU") is determined on a value in use calculation. That calculation used cash flow projections based on the financial budgets approved by management covering a 5-year period. Cash flows is beyond 5-year period extrapolated using the discount rate of 5% (2006: 5%). The discount rate used is pre-tax and reflect specific risks relating to the relevant segments.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate amount of CGU.

18. INTEREST IN SUBSIDIARIES

	Company	
	2007 HK$'000	2006 HK$'000
Unlisted shares, at cost	**15,874**	15,874
Amounts due from subsidiaries	**608,370**	260,027
Amounts due to subsidiaries	**(50,747)**	(1,239)
Financial guarantee granted to an associate (note 30)	**63,000**	–
	636,497	274,662

NOTES TO THE FINANCIAL STATEMENTS

18. INTEREST IN SUBSIDIARIES (Continued)

The balances with subsidiaries are unsecured, interest free and have no fixed terms of repayment. Their carrying amounts are not materially different from their fair value.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of share held is ordinary unless otherwise stated.

All of these are controlled subsidiaries as defined under note 2(c) and have been consolidated into the Group financial statements.

Name of subsidiary	Place of incorporation/ operation	Particulars of issued and paid up share capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Macau Success (Hong Kong) Limited	Hong Kong	10,000,000 shares of HK$0.01 each	100	100	–	Investment holding
New Shepherd Assets Limited	British Virgin Islands	1 share of US$1	100	100	–	Investment holding
Access Success Developments Limited	British Virgin Islands	1 share of US$1	100	–	100	Investment holding
Ace Horizon Limited	British Virgin Islands	1 share of US$1	100	–	100	Investment holding
Better Talent Limited	British Virgin Islands	1 share of US$1	100	–	100	Investment holding
Capture Success Limited *	British Virgin Islands/ South China Sea, other than in Hong Kong	100 shares of US$1 each	55	–	55	Cruise leasing
Favor Jumbo Limited	British Virgin Islands	1 share of US$1	100	–	100	Investment holding
Golden Sun Profits Limited	British Virgin Islands	1 share of US$1	100	–	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

18. INTEREST IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Particulars of issued and paid up share capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Hover Management Limited*	Hong Kong/ South China Sea, other than in Hong Kong	100 shares of HK$1 each	55	–	55	Provision of cruise management services
Macau Success Management Services Limited	Hong Kong	100 shares of HK$1 each	100	–	100	Provision of administration services
Precise Innovation Limited	British Virgin Islands	1 share of US$1	100	–	100	Investment holding and provision of nominee services
Top Region Assets Limited	British Virgin Islands	1 share of US$1	100	–	100	Investment holding
Travel Success Limited	Hong Kong	500,000 shares of HK$1 each	100	–	100	Travel agency
Travel Success (Macau) Limited	Macau	3 shares of MOP750,000, MOP749,000 and MOP1,000 respectively	100	–	100	Travel agency
World Fortune Limited	Hong Kong	1,000 shares of HK$1 each	100	–	100	Investment holding
Valuegood Limited	British Virgin Islands	1 share of US$1	100	–	100	Acquisition of financing

* Not audited by CCIF CPA Limited

NOTES TO THE FINANCIAL STATEMENTS

19. INTEREST IN ASSOCIATES

(a)

	Group	
	2007	2006
	HK$'000	HK$'000
Share of net assets	**425,696**	283,738
Goodwill (note d)	**19,409**	4,581
	445,105	288,319
Amounts due from associates	**378,825**	87,696
Financial guarantee contract (note 30)	**63,000**	–
	886,930	376,015

The amounts due from associates are unsecured, interest free and have no fixed terms of repayment. Their carrying amounts are not materially different from their fair value.

(b) The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group:

			Proportion of ownership interest			
Name of associate	**Place of incorporation and operation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Pier 16 – Entertainment Group Corporation Limited	Macau	2 shares of MOP24,000 and MOP1,000 respectively	49%	–	49%	Preparation for casino operation
Pier 16 – Management Limited	Macau	2 shares of MOP24,000 and MOP1,000 respectively	49%	–	49%	Provision of management services for development of an integrated casino-resort project "Ponte 16"

NOTES TO THE FINANCIAL STATEMENTS

19. INTEREST IN ASSOCIATES (Continued)

(b) (Continued)

Name of associate	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Pier 16 – Property Development Limited	Macau	100,000 shares of MOP100 each	49%	–	49%	Investment, development and operation of an integrated casino-resort project "Ponte 16"
Pier 16 – Resort Hotel Management Limited#	Macau	2 shares of MOP24,000 and MOP1,000 respectively	49%	–	49%	Provision of management services for an integrated casino-resort project "Ponte 16"

The Chinese name of this company has been changed from "十六浦渡假村酒店管理有限公司" to "十六浦度假村酒店管理有限公司" with effect from 14 May 2007.

(c) On 30 November 2006, World Fortune Limited ("World Fortune"), a then indirect wholly-owned subsidiary of the Company, as purchaser and Joy Idea Investments Limited ("Joy Idea"), an independent third party, as vendor entered into an agreement for the purchase of 12.25% equity interest in the issued share capital of and the related loan to Pier 16 – Property Development Limited ("Pier 16 – Property Development") by World Fortune from Joy Idea for an aggregate consideration of HK$200 million. The consideration was paid partly by cash of HK$152 million and partly by allotment and issue of fully paid shares of the Company of 60 million ordinary shares with nominal value of HK$0.01 each at HK$0.8 per share. The determination of the consideration was disclosed in the Company's circular regarding this transaction dated 29 January 2007. Including the related transaction costs amounting to approximately HK$1.2 million, the total cash paid was approximately HK$153.2 million.

NOTES TO THE FINANCIAL STATEMENTS

19. INTEREST IN ASSOCIATES (Continued)

(d) Goodwill

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 October	**4,581**	4,581
Further acquisition of 12.25% interest in Pier 16 – Property Development	**14,828**	–
At 30 September	**19,409**	4,581

(i) On the date of further acquisition of 12.25% of Pier 16 – Property Development, the fair value of Pier 16 – Property Development acquired was approximately HK$157 million. The consideration excluding the sale loan of approximately HK$29 million was approximately HK$171 million. By including approximately HK$0.8 million acquisition expenses, the goodwill for this acquisition was approximately HK$14.8 million.

Upon completion of the transaction, World Fortune increased its equity interest in Pier 16 – Property Development from 36.75% to 49%.

(ii) Impairment test for interest in associates

The recoverable amount of the interest in Pier 16 – Property Development is determined using discounted cash flows which represents the present value of estimated future cash flows expected to arise from ultimate disposal of Pier 16 – Property Development. The discount rate used is the five-year Exchange Fund Notes rate as at 30 September 2007 of 4.09 per cent (2006: 3.81 per cent).

(e) Summary financial information on associates

	Assets	**Liabilities**	**Equity**	**Revenues**	**Loss**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2007					
100 per cent	**2,748,553**	**1,879,786**	**868,767**	**–**	**(33,428)**
Group's effective interest	**1,346,791**	**921,095**	**425,696**	**–**	**(15,450)**
2006					
100 per cent	1,084,329	312,252	772,077	–	(1,051)
Group's effective interest	398,491	114,753	283,738	–	(386)

NOTES TO THE FINANCIAL STATEMENTS

20. AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**–**	25,239

On 13 July 2005, Top Region Assets Limited ("Top Region"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with two independent third parties for the acquisition of approximately 8.13% interest in the then issued share capital of Triumph Up Investments Limited ("Triumph Up"), a company incorporated in the British Virgin Islands, for a consideration of HK$22.8 million. Including the acquisition expenses, the total investment cost was approximately HK$25.2 million.

The unlisted investment in Triumph Up are measured at cost less accumulated impairment losses at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

On 13 June 2006, Top Region, as vendor, entered into a sale and purchase agreement (the "Agreement") with China Star, as purchaser, and the Company, as guarantor, for the disposal of approximately 8.13% interest in the then issued share capital of Triumph Up for a consideration of approximately HK$36.1 million to China Star.

On 31 October 2006 and 28 February 2007, the parties entered into deeds of variation to, inter alia, extend the long stop date under the Agreement. The long stop date was extended to 31 May 2007.

The transaction was completed on 30 May 2007. After deducting the disposal expenses, the net cash received from the disposal was approximately HK$35.6 million.

21. INVENTORIES

	Group	
	2007	2006
	HK$'000	HK$'000
Fuel oil	**1,323**	1,178

NOTES TO THE FINANCIAL STATEMENTS

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**996**	1,972	**–**	–
Deposits, prepayments and other receivables	**17,402**	11,537	**209**	165
	18,398	13,509	**209**	165

All of the trade and other receivables are expected to be recovered within one year.

Included in trade and other receivables are trade debtors with the following aging analysis as of the balance sheet date:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current	**727**	1,924	**–**	–
31 to 60 days	**165**	4	**–**	–
61 to 90 days	**–**	9	**–**	–
Over 90 days	**104**	35	**–**	–
	996	1,972	**–**	–

The Group normally allows a credit period of 30 days (2006: 30 days).

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**163**	229	**–**	–
Accrued charges and other payables	**106,259**	5,818	**912**	1,940
	106,422	6,047	**912**	1,940

All of the trade and other payables are expected to be settled within one year.

Included in accrued charges and other payables is a deposit of HK$100 million received from a purchaser for the Group's disposal of 10.2% equity interest in World Future (see note 33).

NOTES TO THE FINANCIAL STATEMENTS

23. TRADE AND OTHER PAYABLES (Continued)

Included in trade and other payables are trade creditors with the following aging analysis as of the balance sheet date:

	Group		Company	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Current	**149**	217	**–**	–
31 to 60 days	**1**	1	**–**	–
61 to 90 days	**–**	–	**–**	–
Over 90 days	**13**	11	**–**	–
	163	229	**–**	–

24. LOANS FROM MINORITY SHAREHOLDERS

The loans were unsecured, non-interest bearing and have no fixed repayment terms. The loans were repaid during the year.

25. DEFERRED TAX LIABILITIES

(a) Recognised deferred tax liabilities

The movements of deferred tax liabilities during the year are as follows:

	Group Accelerated depreciation HK$'000
At 1 October 2005	–
Charged to the income statement (note 10)	215
At 30 September 2006	215
At 1 October 2006	215
Credited to the income statement (note 10)	(132)
At 30 September 2007	83

NOTES TO THE FINANCIAL STATEMENTS

25. DEFERRED TAX LIABILITIES (Continued)

(b) Unrecognised deferred tax assets

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through utilisation against future taxable profits is probable. At 30 September 2007, the Group had tax losses of approximately HK$86 million (2006: HK$70 million) that are available to carry forward indefinitely for offsetting against future taxable profits.

No deferred tax asset has been recognised in relation to tax losses as it is not probable that taxable profit will be available against which the tax losses can be utilised.

26. SHARE CAPITAL

	Notes	**Number of shares** '000	**Nominal value** HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
At 1 October 2006 and 30 September 2007		160,000,000	1,600,000
Issued and fully paid:			
Ordinary share of HK$0.01 each			
At 1 October 2005		1,904,464	19,045
Share placement	(a)	235,000	2,350
At 30 September 2006		2,139,464	21,395
At 1 October 2006		2,139,464	21,395
Allotment of consideration shares	(b)	60,000	600
At 30 September 2007		2,199,464	21,995

NOTES TO THE FINANCIAL STATEMENTS

26. SHARE CAPITAL (Continued)

The changes in the issued share capital of the Company which took place during the period from 1 October 2005 to 30 September 2007, were as follows:

(a) On 12 April 2006, a substantial shareholder of the Company entered into a placing agreement and a subscription agreement with a placing agent and the Company respectively. Pursuant to the placing agreement, the placing agent agreed to place to not less than six independent placees for up to 235 million shares of the Company at HK$1.09 each per placing share on behalf of the substantial shareholder. Pursuant to the subscription agreement, the substantial shareholder conditionally agreed to subscribe for such number of new shares as is equal to the number of placing shares successfully placed by the placing agent at a price of HK$1.09 per subscription share. On 25 April 2006, the Company allotted and issued 235 million new shares for a total consideration of approximately HK$256 million before expenses to the substantial shareholder.

(b) On 30 November 2006, World Fortune entered into an agreement with Joy Idea to purchase 12.25% of the entire issued share capital of, and the related loan to, Pier 16 – Property Development at an aggregate consideration of HK$200 million. The consideration was settled partly by cash of HK$152 million and partly by allotment and issue of 60 million shares of the Company at an agreed issued price of HK$0.80 per share. The determination of the consideration was disclosed in the Company's circular regarding this transaction dated 29 January 2007. The Company allotted and issued the consideration shares on 28 February 2007 (see note 19(c)).

27. EMPLOYEE RETIRE BENEFITS

(a) Defined contribution retirement plan

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

(b) Share option scheme

The Company operates a share option scheme (the "Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Option Scheme include the Company's directors and other employees of the Group. The Option Scheme became effective on 8 November 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from the date of adoption of the Option Scheme, i.e. 20 August 2004. Under the Option Scheme, the directors of the Company are authorised at their absolute discretion, to invite any employee, executive or officer of any member of the Group or any entity in which the Group holds any equity interest (including any directors) and any consultant, agent, adviser, vendor, supplier or customer who is eligible to participate in the Option Scheme, to take up options to subscribe for shares of the Company (the "Share(s)").

There is no provision in the Option Scheme to require a grantee to fulfill any performance target or to hold the option for a certain period before exercising the option, but the Company may at its absolute discretion from time to time provide such requirements in the offer of grant of options.

NOTES TO THE FINANCIAL STATEMENTS

27. EMPLOYEE RETIRE BENEFITS (Continued)

(b) Share option scheme (Continued)

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent. of the total number of Shares in issue as at the date of adoption of the Option Scheme.

The Company may seek approval of the shareholders in general meeting for refreshing the 10 per cent. limit under the Option Scheme save that the total number of Shares which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option schemes of the Company under the limit as "refreshed" shall not exceed 10 per cent. of the total number of Shares in issue as at the date of approval of the limit. Options previously granted under the Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the other scheme(s) or exercised options) will not be counted for the purpose of calculating the limit as "refreshed".

Notwithstanding aforesaid in note 27(b), the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Option Scheme and any other share option schemes of the Company must not exceed 30 per cent. of the total number of Shares in issue from time to time.

The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1 per cent. of the total number of Shares in issue.

The exercise price in respect of any particular option shall be such price as determined by the board of directors of the Company in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be less than the highest of (i) the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of offer, which must be a business day; (ii) the average of the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of a share.

The offer of a grant of share options must be accepted not later than 28 days after the date of offer, upon payment of a consideration of HK$1 by the grantee. The exercise period of the share options granted is determined by the board of directors of the Company, save that such period shall not be more than a period of ten years from the date upon which the share options are granted or deemed to be granted and accepted.

As at the balance sheet date, no share options have been granted under the Option Scheme since its adoption.

NOTES TO THE FINANCIAL STATEMENTS

28. RESERVES

Group

	Attributable to equity shareholders of the Company							
	Share premium HK$'000	**Distributable reserve** HK$'000	**Capital redemption reserve** HK$'000	**Property revaluation reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total equity** HK$'000
At 1 October 2005	362,920	52,333	976	187,065	27,160	630,454	31,235	661,689
Placing of new shares	253,800	–	–	–	–	253,800	–	253,800
Share issuance costs	(4,204)	–	–	–	–	(4,204)	–	(4,204)
Profit for the year	–	–	–	–	28,380	28,380	19,779	48,159
Interim dividend declared during the year	–	–	–	–	(3,209)	(3,209)	(10,710)	(13,919)
At 30 September 2006	612,516	52,333	976	187,065	52,331	905,221	40,304	945,525
At 1 October 2006	612,516	52,333	976	187,065	52,331	905,221	40,304	945,525
Allotment of consideration shares (note 26(b))	47,400	–	–	–	–	47,400	–	47,400
Profit for the year	–	–	–	–	2,314	2,314	13,958	16,272
Interim dividend declared during the year	–	–	–	–	–	–	(4,279)	(4,279)
At 30 September 2007	**659,916**	**52,333**	**976**	**187,065**	**54,645**	**954,935**	**49,983**	**1,004,918**
Reserves retained by								
Company and subsidiaries	612,516	52,333	976	–	52,729	718,554	40,304	758,858
Associates	–	–	–	187,065	(398)	186,667	–	186,667
At 30 September 2006	612,516	52,333	976	187,065	52,331	905,221	40,304	945,525
Company and subsidiaries	659,916	52,333	976	–	70,493	783,718	49,983	833,701
Associates	–	–	–	187,065	(15,848)	171,217	–	171,217
At 30 September 2007	**659,916**	**52,333**	**976**	**187,065**	**54,645**	**954,935**	**49,983**	**1,004,918**

28. RESERVES (Continued)

Company

	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
At 1 October 2005	362,920	67,969	430,889
Placing of new shares	253,800	–	253,800
Share issuance costs	(4,204)	–	(4,204)
Profit for the year	–	2,889	2,889
Interim dividend declared during the year	–	(3,209)	(3,209)
At 30 September 2006	612,516	67,649	680,165
At 1 October 2006	612,516	67,649	680,165
Allotment of consideration shares (note 26(b))	47,400	–	47,400
Profit for the year	–	4,279	4,279
At 30 September 2007	**659,916**	**71,928**	**731,844**

29. OPERATING LEASE COMMITMENTS

At 30 September 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group		Company	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Within one year	**3,757**	2,390	**–**	821
In the second to fifth years, inclusive	**1,575**	1,959	**–**	–
	5,332	4,349	**–**	821

NOTES TO THE FINANCIAL STATEMENTS

30. CONTINGENT LIABILITIES

At the balance sheet date, the Company gave the following undertakings:

(a) a syndicated loan facility granted to an associate held by a then indirect wholly-owned subsidiary of the Company was HK$1,600 million (2006: Nil). The maximum guarantee amount borne by the Company was HK$860 million (2006: Nil). The syndicated loan facility utilised by the associate at the balance sheet date was HK$1,010 million (2006: Nil).

(b) a loan facility of up to HK$250 million (2006: Nil) was granted to an indirect wholly-owned subsidiary of the Company. The maximum guarantee amount borne by the Company was HK$250 million (2006: Nil).

Based on the valuation performed by BMI Appraisals Limited, the directors of the Company considered the fair values of the financial guarantee contracts for the associate and subsidiary are HK$63 million and nominal respectively. The carrying amount of the financial guarantee contract recognised in the Group's and the Company's balance sheets in accordance with HKSA 39 and HKFRS 4 (Amendments) were HK$63 million (2006: Nil).

31. RELATED PARTY TRANSACTIONS

(a) On 7 March 2005, Joyspirit Investments Limited, an indirect wholly-owned subsidiary of the Company (the "Lender"), as lender, entered into a loan agreement (the "Loan Agreement") with King Seiner Palace Promotor De Jogos, Limitada (the "Borrower"), a company incorporated in Macau with limited liability and is owned as to 56% by Mr. Yeung Hoi Sing, Sonny ("Mr. Yeung", being an executive director and the chairman of the Company), 24% by Mr. Chan Hon Keung ("Mr. Chan") and 20% by an independent third party, as borrower. As at 1 April 2005, Mr. Yeung was beneficially interested in approximately 37.94% of the issued share capital of the Company and Mr. Chan was beneficially interested in approximately 16.26% of the issued share capital of the Company.

Pursuant to the Loan Agreement, the Lender provided a facility of HK$50 million to the Borrower (the "Loan Facility") which was used as general working capital of the Borrower for the purpose of running its gaming intermediaries business at King Seiner Palace in Macau. The interest payable on the loan was the higher of (i) 20% per annum; and (ii) the amount equivalent to 18% of the net profit of the Borrower before all interest payments on the loan for the latest financial year of the Borrower as shown in the audited financial statement of the Borrower (the "Profits of the Borrower"). The loan was drawn down on 5 August 2005.

In consideration of the Lender agreeing to grant the Loan Facility to the Borrower, Mr. Yeung and Mr. Chan executed a guarantee in favour of the Lender as security for the Loan Facility whereby they jointly and severally guaranteed, unconditionally and irrevocably, the due and punctual payment by the Borrower of the secured indebtedness and/or any part thereof which became due from time to time and the due and punctual performance and observance by the Borrower of all its obligations contained in the Loan Agreement.

In addition, pursuant to an option deed dated 7 March 2005 entered into between the Borrower and the Lender (the "Option Deed"), the Borrower agreed to grant the option to the Lender which was exercisable at an option price calculated at price not exceeding 4 times of the Profits of the Borrower at the time of the exercise of the option multiplied by 20% at any time during 57 months from the date of the Option Deed. Upon exercise of the option, the Lender shall be entitled to 20% of the enlarged share capital of the Borrower as at the date of the completion of allotment and issue of shares under the option. The option was not exercised by the Lender.

In the opinion of the directors of the Company, these transactions were conducted in the normal course of business of the Group and after arm's length negotiation between the Borrower and the Lender. Details of these major and connected transactions are set out in the Company's circular dated 7 April 2005.

During the year 2006, loan interest of approximately HK$10 million was received from the Borrower.

The Lender terminated the Loan Agreement on 29 September 2006 and the Borrower repaid the loan of HK$50 million on the same date.

31. RELATED PARTY TRANSACTIONS (Continued)

(b) Apart from the above, the Group also had the following transactions with the related parties during the year:

	Notes	2007 HK$'000	2006 HK$'000
Management income received and receivable from			
– An associate	(i)(ii)	**4,534**	2,877
Travel service income received and receivable from			
– Associates	(i)(iii)	**1,150**	552
– Key management personnel	(iii)	**641**	643
– Closely family members of key management personnel	(iii)	**–**	260
		1,791	1,455
Receivable from management service as at the balance sheet date			
– An associate		**354**	425
Receivable from travel service as at the balance sheet date			
– Associates		**344**	243

(i) The Company's directors, Mr. Yeung Hoi Sing, Sonny and Mr. Lee Siu Cheung, are the directors of the associates.

(ii) The management fee was charged on actual cost incurred by the Group for providing the services.

(iii) The travel agent service income was charged according to prices and conditions similar to those offered to other customers.

(c) The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 11.

32. PLEDGE OF ASSETS

(a) As at 30 September 2007, the Group pledged the time deposits approximately of HK$0.8 million (2006: HK$0.7 million) to certain banks for issuance of several bank guarantees approximately of HK$0.8 million (2006: HK$0.7 million) for operation of the Group.

(b) As at 30 September 2007, World Fortune pledged all (2006: Nil) of its shares in Pier 16 – Property Development to a bank, for and on behalf of the syndicate of lenders, in respect of a syndicate loan facility granted to Pier 16 – Property Development.

NOTES TO THE FINANCIAL STATEMENTS

33. NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) On 27 July 2007, Golden Sun Profits Limited ("Golden Sun"), being an indirect wholly-owned subsidiary of the Company, entered into a letter of intent and a confidentiality agreement with a then independent third party, Maruhan Corporation ("Maruhan") for the proposed disposal of certain equity interest in the entire issued share capital of World Fortune (which was subsequently agreed between the parties to be 10.2% as stated below). Pursuant to the confidentiality agreement, Maruhan paid to the Group a sum of HK$100 million which was applied as deposit upon the signing of the formal sale and purchase agreement.

On 1 October 2007, Golden Sun and the Company entered into a sale and purchase agreement with Maruhan for the disposal of i) 10.2% interest in the entire issued share capital of World Fortune; and ii) 10.2% of the shareholder's loan to World Fortune which was approximately HK$66 million for an aggregate consideration of approximately HK$208.5 million. The transaction was completed on 29 October 2007 and the Group recorded a gain on disposal of approximately HK$117.6 million. Upon completion of the disposal, the Group's effective interest in the associates decreased from 49% to approximately 44%.

(b) On 1 October 2007, the Company entered into a subscription agreement with Maruhan for the subscription of 220 million shares of the Company at HK$1.062 each. The gross proceeds from the issue were approximately HK$233.6 million and were used as general working capital. After completion of the subscription, the issued share capital of the Company was increased by approximately HK$2.2 million to approximately HK$24.2 million and the share premium was increased by approximately HK$231 million to approximately HK$891 million before expenses.

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE, FOR THE YEAR ENDED 30 SEPTEMBER 2007

The Group has not early applied the following amendments, new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impacts on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures [1]
HKAS 1 (Revised)	Presentation of Financial Statements [2]
HKAS 23 (Revised)	Borrowing costs [2]
HKFRS 7	Financial Instruments: Disclosures [1]
HKFRS 8	Operating Segments [2]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment [3]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions [4]
HK(IFRIC)-Int 12	Service Concession Arrangements [5]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [6]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[5]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 November 2006
4 Effective for annual periods beginning on or after 1 March 2007
5 Effective for annual periods beginning on or after 1 January 2008
6 Effective for annual periods beginning on or after 1 July 2008

35. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the current year's presentation.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 30 September				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover:					
Continuing operations	**103,754**	103,530	100,905	61,564	–
Discontinued operations	**–**	–	–	130,392	116,838
	103,754	103,530	100,905	191,956	116,838
Profit before taxation	**16,944**	48,531	31,783	29,966	35,884
Income tax	**(672)**	(372)	–	(642)	(167)
Profit for the year	**16,272**	48,159	31,783	29,324	35,717
Attributable to:					
Equity shareholders of the Company	**2,314**	28,380	12,291	15,442	35,710
Minority interests	**13,958**	19,779	19,492	13,882	7
	16,272	48,159	31,783	29,324	35,717
Earnings per share					
– Basic	**0.11 HK cents**	1.41 HK cents	0.66 HK cents	0.98 HK cents	9.0 HKcents
– Diluted	**N/A**	N/A	N/A	N/A	N/A

ASSETS AND LIABILITIES

	Year ended 30 September				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,197,379**	978,395	712,094	137,549	83,914
Total liabilities	**(170,466)**	(11,475)	(31,360)	(39,636)	(53,509)
Minority interests	**(49,983)**	(40,304)	(31,235)	(11,743)	(1,118)
Net assets attributable to equity shareholders of the Company	**976,930**	926,616	649,499	86,170	29,287

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