



MACAU SUCCESS LIMITED 澳門實德有限公司*

(Incorporated in Bermuda with limited liability)



2004 ANNUAL REPORT

* For Identification Purpose Only



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Directors*Executive Directors*

Mr. Yeung Hoi Sing, Sonny (*Chairman*)

Mr. Chan William (*Deputy Chairman*)

Mr. Lee Siu Cheung

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

Mr. Ira Stuart Outerbridge III*

* Mr. Ira Stuart Outerbridge III had resigned as secretary and was appointed as assistant secretary upon the listing of the Company's Shares on the Stock Exchange

Qualified Accountant

Mr. Luk Sai Wai, Simon

Authorised Representatives

Mr. Lee Siu Cheung

Ms. Chiu Nam Ying, Agnes

Audit Committee

Mr. Choi Kin Pui, Russelle

Mr. Luk Ka Yee, Patrick

Mr. Yim Kai Pung

Ms. Yeung Mo Sheung, Ann

Auditors

Messrs. CCIF CPA Limited (formerly known as Charles Chan, Ip & Fung CPA Ltd.)

Legal Advisors on Hong Kong Law

Messrs. Iu, Lai & Li, Solicitors

Legal Advisors on Bermuda Law

Messrs. Conyers Dill & Pearman

Principal Bankers

Asia Commercial Bank Limited

International Bank of Asia Limited

Liu Chong Hing Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

Principal Share Registrar and Transfer Agent in Bermuda

Butterfield Fund Services (Bermuda) Limited

65 Front Street

Hamilton

Bermuda

Branch Share Registrar and Transfer Office in Hong Kong

Tengis Limited

Ground Floor, Bank of East Asia Harbour View Centre

56 Gloucester Road, Wanchai

Hong Kong

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Head Office and Principal Place of Business

Units 1002-05A, 10th Floor

West Tower, Shun Tak Centre

200 Connaught Road Central

Hong Kong

Share Listing

The Stock Exchange of Hong Kong Limited

Stock Code: 0487

Website

www.macausuccess.com

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company (the “AGM”) will be held at Units 1002-05A, 10/F., West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Wednesday, 16 February 2005 at 4:00 p.m. for the following purposes:

1. To receive and consider the Audited Financial Statements and the Reports of Directors and Auditors for the year ended 30 September 2004.
2. To re-elect Directors and to authorise the Board of Directors to fix the Directors’ fees.
3. To re-appoint Auditors and to authorise the Board of Directors to fix their remuneration.
4. To consider as special business and, if thought fit, pass with or without amendments the following resolutions as Ordinary Resolutions:
 - (A) “**THAT** the directors of the Company be and are hereby granted an unconditional general mandate to repurchase issued shares in the capital of the Company in accordance with all applicable laws and subject to the following conditions:–
 - (a) such mandate shall not extend beyond the Relevant Period (as defined in sub-paragraph (c) below);
 - (b) the aggregate nominal amount of shares of the Company to be purchased or agreed conditionally or unconditionally to be repurchased by the Company pursuant to this resolution shall not exceed 10 per cent. of the aggregate nominal amount of the shares of the Company in issue at the date of passing of this resolution; and
 - (c) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company (the “Bye-laws”) or any applicable laws to be held; and
 - (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders in general meeting.”

- (B) “**THAT** the directors of the Company be and are hereby granted an unconditional general mandate to issue, allot and deal with additional shares in the capital of the Company or securities convertible into shares, and to make or grant offers, agreements and options in respect thereof, subject to the following conditions:
- (a) such mandate shall not extend beyond the Relevant Period (as defined in sub-paragraph (c) below) save that the directors may during the Relevant Period make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
 - (b) the aggregate nominal amount of the shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors, otherwise than pursuant to a Rights Issue (as defined in sub-paragraph (c) below) or pursuant to the grant or exercise of options issued under any share option scheme adopted by the Company for the grant or issue to employees of the Company and/or any of its subsidiaries and/or associated companies of options to subscribe for or rights to acquire shares of the Company, or pursuant to any scrip dividend or other similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company pursuant to the Bye-laws or with the consent of the Company in general meeting, shall not exceed 20 per cent. of the aggregate nominal amount of the shares of the Company in issue at the date of passing of this resolution; and
 - (c) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any applicable laws to be held; and
 - (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders in general meeting.

“Rights Issue” means an offer of shares opens for a period fixed by the directors of the Company to holders of shares of the Company or any class thereof of members on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

- (C) “**THAT** the general mandate granted to the directors of the Company to issue and dispose of additional shares pursuant to Ordinary Resolution 4(B) set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares purchased by the Company under the authority granted pursuant to Ordinary Resolution 4(A) set out in the notice convening this meeting, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this resolution.”

By Order of the Board of
Macau Success Limited
Chiu Nam Ying, Agnes
Company Secretary

Hong Kong, 19 January 2005

Notes:

1. A member entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or notarially certified copy of such power of attorney or authority must be lodged at the branch share registrars of the Company, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time of the AGM.
3. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the AGM or on the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.



BUSINESS REVIEW

For the year ended 30 September 2004, business performance of the Group was satisfactory. The Group had a 64.3% increase in turnover when compared with that of last year. The profit attributable to shareholders of approximately HK\$15.4 million, decreased 56.8% when compared to that of last year. The decrease was principally attributed to the one-off gain of approximately HK\$36.2 million on waiver of loans recorded in 2003. Other than this non-recurring item, net profit purely derived from recurring operations is substantially improved from a loss of approximately HK\$0.5 million in 2003 to a profit of approximately HK\$11.4 million in 2004. It represents 23.8 times rebound as compared to the last corresponding year.

In January 2004, the Group acquired a 55% interest in MV Macau Success. Through this investment, the Group's earning potential and recurring income base should be strengthened in the long run. As at 30 September 2004, the Group had cash on hand of approximately HK\$31.3 million which equipped the Group with adequate financial resources to meet with current expansion plans.

The Group has been prudent and far-sighted. On 9 March 2004, Macau Success Limited, the then ultimate holding company of the Group (and now known as Macau Success (Hong Kong) Limited ("MSHK")), proposed a group reorganisation (the "Group Reorganisation"). Upon the completion of the Group Reorganisation on 8 November 2004, the domicile of the ultimate holding company of the Group has been changed from Hong Kong to Bermuda. MSHK was then became a wholly-owned subsidiary of the Company and its listing status was simultaneously withdrawn. The Company became the ultimate holding company of the Group with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 November 2004. The principal purpose of the reorganisation was to allow any new assets, businesses or funds that may be injected into or be acquired by the Group to be directly held by the Company or its newly formed subsidiaries. This effectively reduces the financial and operational inherent uncertainties of the Group and safeguard the interests of the shareholders. In addition, the establishment of the Company in the Bermuda jurisdiction should provide more flexibility to the Company for distribution of earnings in the future. The setting up of companies directly under the new holding company should also facilitate the exploration of any possible future overseas business development opportunities and allow the Group to project a more international image to customers and business partners alike.

OUTLOOK

2004 was a year marked by milestones that helped to strengthen our business and fulfil key components of our long-term strategy. During the year, the Group defined tourists-related business and cruise leasing and management as its core businesses. In order to bring the organisational structure of the Group inline with our chosen strategy, we have disposed of and discontinued our non-core businesses – construction and retail in March and June 2004 respectively.

As mentioned in our Interim Report 2004, the Group foresees a very positive market in Macau and is keen to identify suitable investment opportunities for further development. Given the clear strategy of the Group, we have entered into a joint development of a theme park project, Ponte 16, through the incorporation of a joint-venture company namely Pier 16 – Property Development Limited (“Pier 16 – Property Development”). This project is undertaken jointly with SJM-Investimentos Limitada (“SJM-Investimentos”), a company incorporated in Macau which is a wholly-owned subsidiary of Sociedade de Jogos de Macau (“SJM”). It not only enables the Group to participate in the hotel business with gaming entertainment in Macau, but also provides synergistic effects for the Group’s existing cruise and travel agency businesses. With the proposed underwater pedestrian tunnel to be built from the site of Ponte 16 to Zhuhai city, Ponte 16 will become a key project for the Group and it is expected to bring in additional revenue to the Group upon its completion.



Ponte 16 is built on an aggregate gross floor area of approximately 63,584 square metres. It is comprised of a luxury hotel, a casino (subject to approval and to be run by SJM), a shopping arcade, cultural spaces and car parks. It is expected that the total investment in this project will reach approximately HK\$1.2 billion with due completion by the end of 2006. Pier 16 – Property Development has recently engaged an international well-known design architect to upgrade the design of the project to world-class level. The ground-breaking of Ponte 16 has been completed.

We anticipate continuous growth in this area, riding on the rapid expansion of Macau’s tourism industry resulting from the staggering influx of tourists from Mainland China under the “Individual Travel Scheme.” The investment in Ponte 16 is our first step into the booming market of Macau. It is the intention of the Group to increase our investment in hotel, casino and property related businesses in Macau in the near future.

Looking ahead, the Group will continue to cautiously focus not only on the existing on-going projects, but also to leverage its management skills, to grasp potential business opportunities, so as to improve the Group’s results and competitive position. The objective being to maximise value for shareholders.

ACKNOWLEDGEMENTS

Last but not least, I would like to thank my fellow directors, dedicated employees, supportive shareholders and our loyal customers and suppliers for their confidence and continued support for the Group.

Yeung Hoi Sing, Sonny
Chairman

Hong Kong
13 January 2005



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1. Mr. Yeung Hoi Sing Sonny, Chairman of the Group, in a media interview.
2. Karaoke lounge in MV Macau Success has been refurbished recently.
3. Press conference for announcing Ponte 16 project.
4. The Company sponsored Macau Apprentice Jockeys Invitation Race.
5. Tokyo road show.
6. New 400 square-metres casino for super VIP's on board.

RESULTS

For the year under review, turnover of the Group was approximately HK\$192.0 million representing approximately 64.3% increase from that of the last year (2003: approximately HK\$116.8 million). Profit attributable to shareholders amounted to approximately HK\$15.4 million, representing a decrease of approximately 56.8% as compared to that of the last year (2003: approximately HK\$35.7 million). The decrease was principally attributed to the one-off gain of approximately HK\$36.2 million on waiver of loans recorded in 2003. Earnings per share for the year was 0.98 HK cents (2003: 9.0 HK cents).

REVIEW OF OPERATIONS

During and subsequent to the year under review, the Group has re-defined the scope of its core business and has successfully accomplished the following milestones:

- disposed of and discontinued its construction and retail businesses in March and June 2004 respectively in order to streamline the organisation structure;
- the scheme of arrangement has been sanctioned by the court, so as to reduce the inherent financial and operational uncertainties of the Group and to safeguard the interest of the shareholders; and
- increased its shareholdings in Pier 16 – Property Development from 10% to 24.5%, affirming its commitment in the development of a Macau theme park – Ponte 16 in November 2004.

Travel Business

During the year ended 30 September 2004, Travel Success Limited (“Travel Success”), which was incorporated in October 2003 and is a wholly-owned subsidiary of the Company, has recorded an increase in turnover. However, strong competition has resulted in a smaller profit margin. Turnover for the travel business amounted to approximately HK\$3.8 million (2003: HK\$Nil), which accounted for approximately 2.0% of the Group’s total turnover. The operating loss amounted to approximately HK\$0.6 million (2003: HK\$Nil).

The Group is generally optimistic for the outlook of the travel business. The strategy of which is to provide a one-stop service for customers to include an array of cruise holiday packages, hotel reservation and ticketing services for overseas destinations. Travel Success works closely with travel agencies in the USA and Canada in order to widen its customer base and establish a good reputation thereon.



Cruise Business

During the year under review, the revenue from the leasing and management of cruise, MV Macau Success, reported a total of turnover amounted to approximately HK\$57.8 million (2003: HK\$Nil), which accounted for approximately 30.1% of the Group's total turnover. Operating profit amounted to approximately HK\$28.2 million (2003: HK\$Nil).

The cruise business via MV Macau Success, will continue to target high-income clients who shop around for the super-luxurious cruise experience. MV Macau Success has a gross tonnage of 9,848 tons and a total of 207 fully air-conditioned passenger cabins. It currently takes up passengers in Hong Kong and provides various on-board cruise activities, services and amenities, such as casino, slot machines, restaurants, bars, karaoke, mahjong, beauty salons and massage facilities. The karaoke lounge has been refurnished recently and a new 400 square-metres casino for super VIP's has been launched on board. The quality of facilities will continue to be top-notch to capture this market segment with high spending power.

Reorganisation of the Group

On 9 March 2004, MSHK, the then ultimate holding company of the Group which was formerly listed on the Stock Exchange, put forward the Group Reorganisation pursuant to which the Company became the new ultimate holding company of the Group and the shareholders of MSHK received one share of the Company for every share held at the record time and became the shareholders of the Company.

Upon the approval of the Court of First Instance of the High Court, Hong Kong and the fulfillment of the other conditions as set out in an announcement of the Company dated 9 March 2004, all subsidiaries of MSHK became indirect subsidiaries of the Company. MSHK was delisted from the Stock Exchange on 8 November 2004, and the Company was listed on the Stock Exchange on 9 November 2004 by way of introduction.

FINANCIAL REVIEW

Pledge of Assets

As at 30 September 2004, the Group's assets pledged as security for banking facilities amounted to approximately HK\$0.2 million (2003: approximately HK\$1.0 million).

Contingent Liabilities

As at 30 September 2004, the Group had no contingent liability (2003: HK\$Nil).

Liquidity, Financial Resources and Gearing

As at 30 September 2004, the Group had net current assets of approximately HK\$28.9 million (2003: approximately HK\$19.3 million) and net assets of approximately HK\$86.2 million (2003: approximately HK\$29.3 million).

As at 30 September 2004, the Group had total financial borrowings of approximately HK\$33.2 million as compared to approximately HK\$11.5 million at last financial year end date and had no obligations under finance leases (2003: approximately HK\$0.03 million).

As at 30 September 2004, other than loans from minority shareholders of approximately HK\$31.5 million (2003: HK\$Nil), which is interest-free, unsecured and without fixed repayment term, the remaining total financial borrowings of the Group were denominated in Hong Kong dollars and bear interest at fixed rates. Of the total financial borrowings, approximately HK\$1.7 million (2003: approximately HK\$10.6 million) is repayable within one year, while approximately HK\$31.5 million (2003: approximately HK\$0.9 million) is repayable after one year.

As at 30 September 2004, the Group had no bank loan (2003: approximately HK\$1.0 million) which was secured by property, plant and equipment (2003: with a carrying value of approximately HK\$2.3 million).

Shareholders' funds of the Group as at 30 September 2004 recorded a surplus of approximately HK\$86.2 million (2003: approximately HK\$29.3 million). Accordingly, the gearing ratio which is measured on the basis of the interest bearing borrowings of the Group over the shareholders' funds was 1.9%.

Capital Structure

Placing of New Shares

Pursuant to a placing agreement dated 3 November 2003 and a supplemental agreement dated 17 November 2003 entered into between Tai Fook Securities Limited, as placing agent, and MSHK, 97,200,000 new shares of HK\$0.01 each of MSHK at HK\$0.4325 per share were placed to not less than six independent investors on 17 November 2003. The net proceeds amounted to approximately HK\$41.0 million has been applied as to approximately HK\$10.0 million as general working capital of the Group and as to approximately HK\$31.0 million for making investments in tourists-related businesses with good potential in Hong Kong and Macau when opportunities arise.



Placing of Existing Shares and Subscription of New Shares

Subsequent to the year, Silver Rich Macau Development Limited (“Silver Rich”), a substantial shareholder of the Company, entered into a placing agreement (the “Placing Agreement”) and a subscription agreement (the “Subscription Agreement”) with Deutsche Bank AG (the “Placing Agent”) and the Company respectively on 10 November 2004. Pursuant to the Placing Agreement, the Placing Agent agreed to place, on a fully underwritten basis, 317,000,000 shares to not less than six independent placees at a price of HK\$1.28 per share (the “Placing”). Pursuant to the Subscription Agreement, Silver Rich conditionally agreed to subscribe for 317,000,000 new shares at a price of HK\$1.28 per share. The Placing and the Subscription were completed on 12 November 2004 and 23 November 2004 respectively. Upon the completion of the Placing and the Subscription, shareholding of Silver Rich was decreased from approximately 43.20% to approximately 36.01% and shareholding of Spring Wise Investments Limited, another substantial shareholder of the Company, was decreased from approximately 18.51% to approximately 15.43%.

The net proceeds derived from the Subscription and the Placing amounted to approximately HK\$370.0 million will be applied as to approximately HK\$166.5 million for the investment, development and operation of Ponte 16, as to approximately HK\$111.0 million for other possible investment opportunities in hotel and tourists-related projects, and as to approximately HK\$92.5 million for general working capital for the Group.

Material Acquisition and Disposal of Subsidiaries

A sale and purchase agreement dated 10 March 2004 has been entered into between Capture Success Limited, a 55% owned subsidiary of MSHK, as purchaser and an independent third party as vendor in respect of the sale and purchase of the entire issued capital of Hover Management Limited, a company incorporated in Hong Kong with limited liability, upon the terms and conditions therein contained.

A sale and purchase agreement dated 12 March 2004 has been entered into between Orient Prize Holdings Inc. (“Orient Prize”), a wholly-owned subsidiary of MSHK, as vendor and an independent third party as purchaser in respect of the sale and purchase of the 60% equity interest in Marcello (Tax Free) International Department Store Corporation Limited upon the terms and conditions therein contained. Completion has taken place on 29 June 2004.

A sale and purchase agreement dated 26 March 2004 has been entered into between Orient Prize as vendor and Mr. Chan Chung Chiu, a director of Fine Lord Construction Company Limited (“Fine Lord”), in respect of the sale and purchase of the entire equity interest in Fine Lord upon the terms and conditions therein contained. Completion has taken place on 26 March 2004. This disposal constituted a connected transaction.

On 20 February 2004, World Fortune Limited (“World Fortune”), a wholly-owned subsidiary of MSHK, subscribed 10,000 shares of MOP100.00 each in the capital of Pier 16 – Property Development Limited (“Pier 16 – Property Development”), a company incorporated in Macau with limited liability, representing 10% of the total issued share capital of Pier 16 – Property Development. Subsequent to the year end, World Fortune increased its shareholding in Pier 16 – Property Development to 24.5% by way of transferring 14.5% equity interests from SJM-Investmentos to World Fortune on 18 November 2004 (the “Transfer”). SJM-Investmentos is an independent third party to the Group which owned 51% equity interest in Pier 16 – Property Development after the Transfer. Other than any external financing to be obtained, the development of Ponte 16 will be financed by the shareholders of Pier 16 – Property Development by way of shareholders’ loan in proportion to their respective shareholding. The contribution obliged to be made by the Group in the form of shareholders’ loan to Pier 16 – Property Development, an affiliated company (as defined under the Listing Rules) of the Company after the Transfer, represents approximately 14.4% of the unaudited consolidated total assets of the Group as at 31 March 2004.

Staffing

As at 30 September 2004, the Group had approximately 300 employees. Remuneration is determined by reference to qualifications, experience, responsibility and performance of the staff concerned. Apart from the basic remuneration, staff benefits include medical insurance, retirement benefits under Mandatory Provident Fund Scheme, and etc.

PROSPECTS

The gaming industry is a leading industry and the driving force for the development of other industries in Macau. It constitutes an indispensable part of the history of Macau. Given the clear strategies established by the Government of Macau to continuously develop Macau as a tourism, gaming, international MICE (Meetings, Incentives, Conferences, Exhibitions) and leisure destination, the prospects for the gaming industry and related industries in Macau appear to be promising in the future. Macau is sometimes referred to as the “Asian Las Vegas”.

In view of the above positive operating environment, the Group had acquired World Travel Agency Limited, a company incorporated in Macau, in October 2004 in order to further expand its travel related business in Macau.

The established direction of the Group is to develop and strengthen tourists-related businesses including hotels and casinos. With the strong financial position of the Group and the experience of management in entertainment operations, the Board of Directors is confident of seizing any upcoming opportunities and believes that this strategy will reward its long-term investors.

The directors present their annual report together with the audited financial statements of the Company for the period from 27 May 2004 (date of incorporation) to 30 September 2004. The audited financial statements for the period ended 30 September 2004 include supplementary pro forma combined financial statements of the Company and its subsidiaries (collectively referred to as the “Group”), which was legally formed subsequent to 30 September 2004.

1. GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in Bermuda on 27 May 2004 under the Companies Act 1981 of Bermuda. Pursuant to a scheme of arrangement sanctioned by the Court of First Instance of the High Court, Hong Kong which became effective on 8 November 2004, the Company issued its shares to the shareholders of MSHK, the then ultimate holding company of the Group, in exchange for the entire issued share capital of MSHK. MSHK then became a wholly-owned subsidiary of the Company which became the holding company of the companies now comprising the Group.

Dealings in the shares of the Company on the Stock Exchange has commenced on 9 November 2004 whilst the listing status of MSHK has been withdrawn on 8 November 2004. Details of the Group Reorganisation were set out in a scheme document issued by MSHK dated 27 August 2004.

In order to apprise the Company’s shareholders of the pro forma combined financial results and position of the Group, pro forma combined financial information comprising pro forma combined income statement, balance sheet and cash flow statement so prepared as if the Group have been in existence throughout the years ended 30 September 2004 and 2003, is included in this annual report. The basis of preparing the aforesaid pro forma combined financial information, which is further detailed in note 1 to the financial statements, has also been applied for presenting the information referring to the Group in this Report of the Directors.

2. 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 tourists-related businesses.

3. RESULTS AND APPROPRIATIONS

The Group’s pro forma combined profit for the year ended 30 September 2004 and the pro forma combined state of affairs of the Group as at that date, together with the loss of the Company for the period from 27 May 2004 (date of incorporation) to 30 September 2004 and its state of affairs as at 30 September 2004 are set out in the financial statements on pages 25 to 75.

The directors do not recommend payment of any dividends in respect of the year ended 30 September 2004.

4. SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in note 4 to the financial statements.

5. FIVE-YEAR FINANCIAL SUMMARY

A summary of the pro forma combined results and the pro forma combined net assets of the Group for the past five financial years is set out on page 76.

6. SHARE CAPITAL

Details of the Company's share capital are set out in note 27 to the financial statements.

7. RESERVES

Details of the movements in the reserves of the Group during the year are set out in the pro forma combined statement of changes in equity on page 32 of this report and other details of the reserves of the Group and the Company are set out in note 29 to the financial statements.

8. 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 14 to the financial statements.

9. SUBSIDIARY COMPANIES

Particulars of the Company's subsidiary companies as at 30 September 2004 are set out in note 16 to the financial statements.

10. DIRECTORS

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

Executive directors:

Mr. Yeung Hoi Sing, Sonny (*Chairman*)

Mr. Chan William

Mr. Lee Siu Cheung

Non-executive director:

Mr. Choi Kin Pui, Russelle

(re-designated from independent non-executive director
on 30 March 2004)

Independent non-executive directors:

Mr. Luk Ka Yee, Patrick

Mr. Yim Kai Pung (appointed on 30 March 2004)

Mr. Yeung Mo Sheung, Ann (appointed on 30 March 2004)

There were no rotational retirement provisions in the articles of association of MSHK and that accordingly all existing directors of MSHK would continue in office for the ensuing year.

The Directors of the Company who held office during the period from 27 May 2004 (date of incorporation) and up to the date of this report were:

Executive directors:

Mr. Yeung Hoi Sing, Sonny (*Chairman*) (appointed on 18 June 2004)

Mr. Chan William (*Deputy Chairman*) (appointed on 18 June 2004)

Mr. Lee Siu Cheung (appointed on 18 June 2004)

Non-executive director:

Mr. Choi Kin Pui, Russelle (appointed on 18 June 2004)

Independent non-executive directors:

Mr. Luk Ka Yee, Patrick (appointed on 18 June 2004)

Mr. Yim Kai Pung (appointed on 18 June 2004)

Mr. Yeung Mo Sheung, Ann (appointed on 18 June 2004)

In accordance with bye-law no. 86(2) of the Bye-laws, Mr. Yim Kai Pung and Ms. Yeung Mo Sheung, Ann, who were appointed during the year from the last annual general meeting, shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with bye-law no. 87 of the Bye-laws, Mr. Luk Ka Yee, Patrick will retire by rotation and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

11. DIRECTORS' SERVICE CONTRACTS

The non-executive director and independent non-executive directors were appointed for a period of one year commencing on their respective appointment dates.

Save as disclosed above, none of the directors has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

12. DIRECTORS' INTERESTS IN 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.

13. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 September 2004, the Directors or chief executive of MSHK and/or any of their respective associates had the following interests and short positions in the shares, underlying shares or debentures of MSHK 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")) which were required (a) to be notified to MSHK and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to MSHK and the Stock Exchange:—

Name	Long position/ Short position	Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Yeung Hoi Sing, Sonny (<i>Note 1</i>)	Long position	Corporate interest	646,330,716	40.71%
Mr. Chan William (<i>Note 2</i>)	Long position	Corporate interest	258,856,716	16.31%

Notes:

- Mr. Yeung Hoi Sing, Sonny is deemed to have corporate interest in 646,330,716 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.
- Mr. Chan William is deemed to have corporate interest in 258,856,716 Shares by virtue of his interest in the issued share capital of Spring Wise Investments Ltd.

Save as disclosed above, as at 30 September 2004, none of the Directors or chief executive, or their associates, had any personal, family, corporate or other interests in the securities of MSHK or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to MSHK and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to MSHK and the Stock Exchange.

14. 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 28 to the financial statements.

15. SUBSTANTIAL SHAREHOLDERS

As at 30 September 2004, so far as was known to the Directors or chief executive of MSHK, the following persons (other than a Director or chief executive of MSHK) had an interest or short position in the Shares and underlying shares of MSHK which would fall to be disclosed to MSHK under the provisions of Divisions 2 and 3 of Part XV of the SFO:–

Name of Shareholder	Long position/ Short position	Nature of interest	Number of Shares held	Approximate percentage of shareholding
Silver Rich Macau Development Limited	Long position	Corporate interest	646,330,716	40.71%
Spring Wise Investments Ltd.	Long position	Corporate interest	258,856,716	16.31%
Mr. Chan Hon Keung (Note)	Long position	Corporate interest	258,856,716	16.31%

Note: Mr. Chan Hon Keung is deemed to have corporate interest in 258,856,716 Shares by virtue of his interest in the issued share capital of Spring Wise Investments Ltd.

Save as disclosed above, as at 30 September 2004, so far as was known to the Directors, no other person had, or was deemed or taken to have an interest or short position in the Shares and underlying shares of MSHK which would fall to be disclosed to MSHK under the provisions of Divisions 2 and 3 of Part XV of the SFO.

16. CONNECTED TRANSACTION

A sale and purchase agreement dated 26 March 2004 has been entered into between Orient Prize as vendor and Mr. Chan Chung Chiu, a director of Fine Lord, in respect of the sale and purchase of the entire equity interest in Fine Lord at a consideration of HK\$5.8 million upon the terms and conditions therein contained. This disposal constituted a connected transaction under the Listing Rules, details of which has been published in an announcement of the Company dated 31 March 2004 according to the disclosure requirements under the Listing Rules.

17. CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

The Company and MSHK had no outstanding convertible securities, options, warrants or other similar rights as at 30 September 2004.

18. PURCHASE, SALE OR REDEMPTION OF MSHK'S LISTED SECURITIES

Neither MSHK, nor any of its subsidiaries purchased, sold or redeemed any of MSHK's listed securities during the year or up to the date of the listing of the Company's shares. From the listing of the Company's shares on 9 November 2004 up to the date of this report, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

19. MAJOR SUPPLIERS AND CUSTOMERS

During the year, the five largest customers of the continuing operations of the Group accounted for 95.3% of total turnover of the continuing operations of the Group of which the largest customer accounted for approximately 93.8% and the five largest suppliers of the continuing operations of the Group accounted for 84.8% of total purchases of the continuing operations of the Group, of which the largest supplier accounted for approximately 34.0%.

None of the directors of MSHK or of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors of MSHK or of the Company owns more than 5% of MSHK's or the Company's issued share capital) had any beneficial interest in the above five largest customers or five largest suppliers.

20. CHARITABLE CONTRIBUTIONS

During the year, no charitable contributions (2003: HK\$Nil) were made by the Group.

21. POST BALANCE SHEET EVENTS

Details of the significant events after the balance sheet date are set out in note 34 to the financial statements.

22. CORPORATE GOVERNANCE

Code of Best Practice

None of the directors of MSHK or the Company is aware of any information that would reasonably indicate that MSHK or the Company is not, or was not during the year ended 30 September 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Model Code for Securities Transactions by Directors

MSHK or 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 Transaction by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”).

Having made specific enquiry of all directors, each of whom, during the year ended 30 September 2004, has complied with the required standard set out in the Model Code and the Code of Conduct.

Independent Non-executive Directors

Pursuant to rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three independent non-executive directors. The Company confirms that it has received from each of the independent non-executive directors a confirmation of his/her independence pursuant to rule 3.13 and the Company still considers the independent non-executive directors to be independent.

Audit Committee

The Company has set up an audit committee (the “Audit Committee”) which comprises four non-executive directors, majority of whom are independent non-executive directors with terms of reference prepared based on “A Guide for Effective Audit Committee” published by the Hong Kong Society of Accountants. The principal duties of the Audit Committee are to review and supervise the Group’s financial reporting process and internal control system.

Review of Annual Results

The audited results for the year ended 30 September 2004 have been reviewed by the Audit Committee and audited by Messrs. CCIF CPA Limited which were of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

23. PRE-EMPTIVE RIGHTS

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

24. AUDITORS

On 23 May 2003, Messrs. John K. H. Lo & Co. tendered their resignation as auditors of MSHK and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of MSHK to fill the vacancy created by the resignation of Messrs. John K. H. Lo & Co.

On 17 September 2003, Messrs. Deloitte Touche Tohmatsu tendered their resignation as auditors of MSHK and Messrs. CCIF CPA Limited were appointed as auditors of MSHK to fill the vacancy left by the resignation of Messrs. Deloitte Touche Tohmatsu.

A resolution to re-appoint the retiring auditors, Messrs. CCIF CPA Limited, will be put at the forthcoming AGM.

On behalf of the board of
Macau Success Limited
Yeung Hoi Sing, Sonny
Chairman

Hong Kong, 13 January 2005



From Left: Mr. Luk Sai Wai, Simon, Ms. Chiu Nam Ying, Agnes, Mr. Yeung Hoi Sing, Sonny, Mr. Chan William and Mr. Lee Siu Cheung.

EXECUTIVE DIRECTORS

Mr. Yeung Hoi Sing, Sonny, aged 50, joined the Group in 2003 as executive director and chairman. He is responsible for the overall corporate planning and business development of the Group. Mr. Yeung has been the member of the Chinese People's Political Consultative Conference, the PRC since 1993 and has over 21 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 Young

Champion Securities Limited, which is a licensed corporation under the SFO and is also a participant of the Stock Exchange, principally engaged in the provision of securities brokerage services. Mr. Yeung also has certain private investments in travel agency businesses in US and Canada and property development businesses in Hong Kong and Canada.

Mr. Chan William, aged 30, joined the Group in 2003 as executive director and has been the deputy chairman since June 2004. He obtained a Diploma in Legal Studies in June 1995 from The University of Hong Kong (SPACE) and a Master degree of Business Administration in March 2002 from The University of La Verne in US. Mr. Chan is a director of Tung Wah Group of Hospitals (2003/2004), the Current Advisor of Yan Chai Hospital 36th Term Board of Directors, the Divisional Senior Vice President of Hong Kong St. John Ambulance Brigade Headquarters Command, a member of Sheung Wan and Sai Ying Pun Area Committee (2004/2006) and a member of Hong Kong Chiu Chow Chamber of Commerce. Before joining the Group, he was an accounts manager of Young Champion Securities Limited from 2001 to July 2003.

Mr. Lee Siu Cheung, aged 40, joined the Group in 2003 as executive director. He is a member of Hong Kong Institute of Architects and an Authorised Person (List of Architects). Mr. Lee has over 16 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.

NON-EXECUTIVE DIRECTOR

Mr. Choi Kin Pui, Russelle, aged 50, joined the Group in 2003 as independent non-executive director and has been re-designated as non-executive Director in March 2004. Mr. Choi graduated from St. Pius X High School in 1976. He has over 11 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 Elephant Talk Communications Inc. ("ETCI"). ETCI is a company incorporated in the US with limited liability and is engaging in the provision of telecommunications services in Hong Kong and in the US. Mr. Choi is responsible for the overall strategy of ETCI, and is appointed as president and chief executive officer of ETCI. He also serves as a chairman of ET Network Services Limited, a company incorporated in Hong Kong with limited liability and is presently engaging in the provision of internet access and outsourcing services in the PRC and Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Luk Ka Yee, Patrick, aged 43, joined the Group in 2003 as independent non-executive director. Mr. Luk obtained his 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 in corporate/legal and property development as well as property management aspects. He is at present the consultant to Pacific Rich Management and Consultants Limited, a company providing property and facilities management in Hong Kong.

Mr. Yim Kai Pung, aged 39, joined the Group in 2004 as independent non-executive director. Mr. Yim holds a Bachelor degree of Accountancy with honours from the 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 Association of Chartered Certified Accountants of the United Kingdom. He has over 15 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.

Ms. Yeung Mo Sheung, Ann, aged 40, joined the Group in 2004 as independent non-executive director. Ms. Yeung holds a Bachelor degree of Retail Marketing with honours from The Manchester Metropolitan University, 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 by The Manchester Metropolitan University, United Kingdom in 1998 and is presently a solicitor of Messrs. Bosco Tso & Partners, a legal firm in Hong Kong.

COMPANY SECRETARY

Ms. Chiu Nam Ying, Agnes, aged 31, joined the Group in 2003 as company secretary and oversees all legal matters of the Group. She is a qualified solicitor and holds a Master degree of Laws from the University of Sheffield, United Kingdom in 1997. Before joining the Group, she has been practising as a solicitor in a local law firm and possesses solid experience in banking and finance as well as property related matters.

QUALIFIED ACCOUNTANT

Mr. Luk Sai Wai, Simon, aged 41, joined the Group in 2003 as financial controller. 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 Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. For the past nine years and prior to joining the Group, Mr. Luk has been 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.



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

We have audited the financial statements on pages 25 to 75 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 September 2004 and of its loss for the period from 27 May 2004 (date of incorporation) to 30 September 2004 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, 13 January 2005

Chan Wai Dune, Charles
Practising Certificate Number P00712

Period from 27 May 2004 (date of incorporation) to 30 September 2004

	<i>Notes</i>	HK\$'000
ADMINISTRATIVE EXPENSES		(15)
LOSS BEFORE TAXATION		(15)
TAXATION	11	–
LOSS FOR THE PERIOD AND ACCUMULATED LOSSES AT END OF THE PERIOD	12,29	(15)

The notes on pages 33 to 75 form an integral part of these financial statements.

The Company has no cash or bank account during the period ended 30 September 2004. Accordingly, a cash flow statement for the Company has not been presented in these financial statements.

As at 30 September 2004

	<i>Notes</i>	HK\$'000
CURRENT ASSETS		
Prepayments		428
CURRENT LIABILITIES		
Amount due to a shareholder		(443)
NET LIABILITIES		
		(15)
CAPITAL AND RESERVES		
Issued capital	27	–
Reserves	29	(15)
		(15)

Approved and authorised for issue by the board of directors on 13 January 2005

On behalf of the board

Yeung Hoi Sing, Sonny
Director

Lee Siu Cheung
Director

The notes on pages 33 to 75 form an integral part of these financial statements.

Period from 27 May 2004 (date of incorporation) to 30 September 2004

	HK\$'000
Shareholders' equity as at 27 May 2004	–
Loss for the period	<u>(15)</u>
Shareholders' equity as at 30 September 2004	<u>(15)</u>

The notes on pages 33 to 75 form an integral part of these financial statements.


Pro Forma Combined Income Statement

Year ended 30 September 2004

	Notes	Continuing operations		Discontinued operations		Group	
		2004 HK\$'000	2003 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000 (Restated)
Turnover	5	61,564	–	130,392	116,838	191,956	116,838
Cost of sales		(4,541)	–	(63,548)	(79,794)	(68,089)	(79,794)
Gross profit		57,023	–	66,844	37,044	123,867	37,044
Other revenue	5	4,219	210	440	97	4,659	307
		61,242	210	67,284	37,141	128,526	37,351
Selling expenses		–	–	(55,315)	(29,756)	(55,315)	(29,756)
Administrative expenses		(41,067)	(3,758)	(7,995)	(6,825)	(49,062)	(10,583)
Other operating expenses, net		(211)	(650)	–	–	(211)	(650)
Gain on disposal of subsidiaries		10	7,984	–	–	10	7,984
Waiver of other loans	6	4,036	36,180	–	–	4,036	36,180
Gain on disposal of discontinued operations	7	–	–	2,304	–	2,304	–
Profit from operations	9	24,010	39,966	6,278	560	30,288	40,526
Finance costs	10	(299)	(4,590)	(23)	(52)	(322)	(4,642)
Profit before taxation		23,711	35,376	6,255	508	29,966	35,884
Taxation	11	–	–	(642)	(167)	(642)	(167)
Profit after taxation		23,711	35,376	5,613	341	29,324	35,717
Minority interests		(12,671)	–	(1,211)	(7)	(13,882)	(7)
Net profit from ordinary activities attributable to shareholders	29	11,040	35,376	4,402	334	15,442	35,710
Earnings per share	13						
– Basic						0.98 cents	9.0 cents
– Diluted						N/A	N/A

The notes on pages 33 to 75 form an integral part of these financial statements.



As at 30 September 2004

	Notes	2004 HK\$'000	2003 HK\$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	95,980	6,346
Goodwill	15	1,069	5,633
Investment securities	17	3,471	–
Deferred tax assets	26	–	32
		<u>100,520</u>	<u>12,011</u>
CURRENT ASSETS			
Inventories	18	1,214	3,797
Trade receivables	19	1,502	19,480
Amount due from customers for contract work	20	–	3
Deposits, prepayment and other receivables		2,987	1,265
Pledged bank deposits		200	–
Cash and bank balances		31,126	47,358
		<u>37,029</u>	<u>71,903</u>
CURRENT LIABILITIES			
Amount due to customers for contract work	20	–	(7,637)
Trade payables	21	(136)	(16,309)
Other payables and accruals		(6,312)	(17,756)
Tax payable		–	(305)
Current portion of finance lease payable	22	–	(32)
Current portion of interest-bearing bank loan	23	–	(99)
Other borrowings	24	(1,652)	(10,470)
		<u>(8,100)</u>	<u>(52,608)</u>
NET CURRENT ASSETS		<u>28,929</u>	<u>19,295</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>129,449</u>	<u>31,306</u>
NON-CURRENT LIABILITIES			
Finance lease payable	22	–	–
Interest-bearing bank loan	23	–	(901)
Loans from minority shareholders	25	(31,536)	–
		<u>(31,536)</u>	<u>(901)</u>
MINORITY INTERESTS		<u>(11,743)</u>	<u>(1,118)</u>
NET ASSETS		<u>86,170</u>	<u>29,287</u>

As at 30 September 2004

	<i>Notes</i>	2004 HK\$'000	2003 HK\$'000 (Restated)
CAPITAL AND RESERVES			
Issued capital	27	15,875	14,903
Reserves	29	70,295	14,384
		86,170	29,287

Approved and authorised for issue by the board of directors on 13 January 2005

On behalf of the board

Yeung Hoi Sing, Sonny
Director

Lee Siu Cheung
Director

The notes on pages 33 to 75 form an integral part of these financial statements.

Year ended 30 September 2004

	Notes	2004 HK\$'000	2003 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		203,149	115,528
Cash paid to suppliers and employees		(185,291)	(115,484)
Cash generated from operations		17,858	44
Interest paid		(322)	(771)
Tax paid		(14)	(507)
Others		(8,979)	(510)
Net cash generated from/(used in) operating activities		8,543	(1,744)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(96,550)	(2,770)
Payment for investment securities		(3,471)	–
Interest received		178	77
Collection of an exchange note		–	32,370
Increase in pledged bank deposits		(200)	–
Acquisition of a subsidiary	30	2,313	–
Disposal of subsidiaries	31	160	73
Net cash (used in)/generated from investing activities		(97,570)	29,750
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of ordinary share		42,039	89,994
Cost on issue of new shares		(598)	(1,155)
Other borrowings raised		–	27,925
Capital element of finance lease rental payments		(32)	(112)
Loans from minority shareholders		31,536	–
Repayment of bank loan		(150)	(95)
Repayment of other borrowings		–	(101,979)
Net cash generated from financing activities		72,795	14,578
(Decrease)/increase in cash and cash equivalents		(16,232)	42,584
Cash and cash equivalents at beginning of year		47,358	4,774
Cash and cash equivalents at end of year		31,126	47,358
Analysis of balances of cash and cash equivalents			
Cash and bank balances		31,126	47,358

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The notes on pages 33 to 75 form an integral part of these financial statements.



Pro Forma Combined Statement of Changes in Equity

Year ended 30 September 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Shareholders' equity brought forward			
– as previously reported		29,267	(95,204)
– effect on adoption of revised SSAP 12		20	(58)
– as restated		29,287	(95,262)
Proceeds from issue of new shares		42,039	89,994
Costs on issue of new shares	29	(598)	(1,155)
Net profit for the year	29	15,442	35,710
Shareholders' equity carried forward		86,170	29,287

The notes on pages 33 to 75 form an integral part of these financial statements.

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. Comparative amounts have not been presented for the Company's balance sheet because the Company did not exist as at 30 September 2003.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 16 to the financial statements.

Basis of presentation

The Group Reorganisation, as further detailed in note 2 to the financial statements, involved companies which are under common control. As the Group Reorganisation took place on 8 November 2004, according to the Hong Kong Statement of Standard Accounting Practice No. 27, "Accounting for Group Reconstructions", the Company together with its subsidiaries should be regarded and accounted for as a continuing group in preparation of the Group's financial statements commencing for the year ending 30 September 2005. However, for the benefit of keeping the shareholders apprised, pro forma combined financial statements for the current year and the related notes thereto have been presented in these financial statements as if the Group Reorganisation took place during the year ended 30 September 2004 and therefore the Company is treated as the holding company of its subsidiaries for the financial years presented. The pro forma combined results of the Group for the years ended 30 September 2003 and 2004 include the results of the Company and its subsidiaries with effect from 1 October 2002 or since their respective dates of incorporation or establishment, where there was a shorter period. The pro forma combined balance sheets as at 30 September 2003 and 2004 have been prepared on the basis as if the current Group structure had already been in place at these dates.

Although the Group Reorganisation was not completed prior to, and, accordingly, the Group did not legally exist until 8 November 2004, in the opinion of the directors of the Company, the presentation of such pro forma combined financial statements prepared on the aforesaid basis is necessary to apprise the Company's shareholders of the Group's results and its state of affairs as a whole.

30 September 2004

2. GROUP REORGANISATION AND CORPORATE UPDATE

The Group had a consolidated net profit of HK\$15,442,000 (2003: HK\$35,710,000) for the year ended 30 September 2004 and as at that date, the Group had retained profits of HK\$14,869,000 (2003: accumulated losses of HK\$361,092,000), which gave rise to net assets of HK\$86,170,000 (2003: HK\$29,287,000).

Macau Success (Hong Kong) Limited (formerly known as Macau Success Limited) (“MSHK”) the former holding company of the Group which was formerly listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) put forward a group reorganisation (the “Group Reorganisation”), pursuant to which, a scheme of arrangement dated 27 August 2004, which had been sanctioned by the Court of First Instance of the High Court, Hong Kong on 29 October 2004 and became effective on 8 November 2004, the following events took place:

- i) simultaneously with each other:
 - the entire issued share capital of MSHK was reduced by cancelling and extinguishing all the 1,587,464,233 shares in issue (the “Scheme Shares”);
 - MSHK applied part of the credit arising as a result of the capital reduction in paying up in full at par the 10,000,000 new shares allotted and issued, credited as fully paid, to the Company such that MSHK became a wholly-owned subsidiary of the Company and transferred the remaining credit to the distributable reserve account of MSHK.
 - the authorised share capital of MSHK was reduced to HK\$100,000 divided into 10,000,000 shares held by the Company;
- ii) the share premium account of MSHK was reduced, cancelled and applied against to set off the accumulated losses of MSHK and the remaining credit thereof was transferred to the distributable reserve account; and
- iii) the shareholders of the 1,587,464,233 shares of MSHK received on the basis of one share of the Company for every one share of MSHK in consideration for the cancellation of their Scheme Shares.

Upon the completion of the Group Reorganisation, the Company became the holding company of MSHK and its subsidiaries. MSHK was then delisted from the Stock Exchange on 8 November 2004, and the Company was listed on the Stock Exchange on 9 November 2004 in its place by way of introduction.

3. PRINCIPAL ACCOUNTING POLICIES

a) Basis of Preparation

The financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in Hong Kong, and comply with the statements of standard accounting practice (“SSAP”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), the disclosure requirements of the Hong Kong Companies Ordinance and The Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange. The pro forma combined financial statements of the Group have been presented on the basis as set out in notes 1 and 2 above. They are prepared under the historical cost convention.

In the current year, the Group has adopted, for the first time, SSAP 12 (revised) “Income taxes” which is effective for accounting periods commencing on or after 1 January 2003:

SSAP 12 (revised) prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is described below:

- (i) deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future;

30 September 2004

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

a) Basis of Preparation (Continued)

- (ii) the disclosure of related notes are now more extensive than previously required. The disclosures are presented in notes 11 and 26 to the financial statements and include a reconciliation between the accounting profit and tax expense for the year.

The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 29 to the financial statements, opening accumulated losses at 1 October 2002 and 2003 have been increased by approximately HK\$58,000 and reduced by approximately HK\$20,000, respectively, which represent the unprovided net deferred tax liabilities and assets. This change has resulted in a recognition of deferred tax assets of approximately HK\$32,000 at 30 September 2003. The profit for the year ended 30 September 2003 have been reduced by approximately HK\$78,000.

b) Basis of Combination

The pro forma combined financial statements include the financial statements of the Company and its subsidiaries made up to 30 September.

The results of the subsidiary acquired or disposed of during the year are included in the pro forma combined income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant inter-company transactions and balances within the Group are eliminated on combination.

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

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

c) Subsidiaries

A subsidiary is a company in which the Group or the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Subsidiaries are considered to be controlled if the Group or the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

c) Subsidiaries (Continued)

An investment in a subsidiary is consolidated into the pro forma combined financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the pro forma combined balance sheet at fair value with changes in fair value recognised in the pro forma combined income statement as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the pro forma combined financial statements. 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.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

d) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following basis:

- (i) cruise leasing income is recognised on an accrual basis in accordance with the terms of the leasing agreement.
- (ii) cruise management fee income and revenue from travel agent services is recognised when the management fee services and travel agent services are rendered.
- (iii) revenue from construction contracts is recognised using the percentage of completion method when the contracts have progressed to a stage where a profitable outcome can be prudently foreseen and is measured by reference to the production of costs incurred for work performed to the balance sheet date as compared to the estimated total costs to completion. Anticipated losses on contracts are fully provided when identified.
- (iv) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

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3. PRINCIPAL ACCOUNTING POLICIES (Continued)

e) Trade Receivable

Provision is made against trade receivable to the extent that they are considered to be doubtful. Trade receivable in the balance sheet is stated net of such provision.

f) Goodwill

Goodwill arising from the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising from acquisition is recognised in the pro forma combined balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 10 years.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised/has not been recognised in the pro forma combined income statement and relevant reserves, as appropriate. Any attributable goodwill previously eliminated against the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

g) Property, Plant and Equipment

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

g) Property, Plant and Equipment (Continued)

Depreciation is provided to write off the cost of each asset over its estimated useful life on a straight-line basis at the following annual rates:

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

The gain or loss arising from the disposal or retirement of the asset is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognised in the pro forma combined income statement.

h) Assets under Leases
(i) Finance leases

At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals.

Payments to the lessor are treated as consisting of capital and interest elements. Finance charges are debited to the income statement over the periods of the leases so as to produce an approximately constant periodic rate of charge on the remaining balances of the obligation for each accounting period.

Assets held under finance leases are depreciated over the shorter of the lease terms and their estimated useful lives on the same basis as owned assets. Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(i) to the financial statements.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)**h) Assets under Leases** (Continued)*(ii) Operating leases*

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payable under such operating leases are charged to the income statement on the straight-line basis over the periods of the respective leases.

i) Impairment of Assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) 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).

(ii) Reversal of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses 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 the income statement in the year in which the reversals are recognised.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)**j) Investment Securities**

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the income statement. The impairment loss is written back to income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

k) Related Parties

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

l) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost include cost of purchase of materials computed using the first-in, first-out formula, and in the case of work in progress and finished goods, direct labour and an appropriate proportion of production overheads. Net realisable value is determined by reference to the sales proceeds of items sold in the ordinary course of business after the balance sheet date less the estimated costs of completion and the estimated costs necessary to make the sale.

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3. **PRINCIPAL ACCOUNTING POLICIES** (Continued)

m) **Cash Equivalents**

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were generally within three months of maturity when acquired. Cash equivalents also represent assets similar in nature to cash, which are not restricted as to use; and include bank overdrafts and advances from banks repayable within three months from the date of the advance.

n) **Income Tax**

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of an assets or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, and the carry forward of unused tax assets and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

o) Translation of Foreign Currencies

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

On combination, the financial statements of subsidiaries, operating in overseas are translated into Hong Kong dollars using the net investment method. The income statement of overseas subsidiaries are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange equalisation reserve.

p) Employee Benefits
(i) Retirement benefit scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. Contributions are made based on a percentage of the employee's basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in independently administrated funds. The Group's employer contributions vest fully with the employees when contributed to the Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

(ii) Share option schemes

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under these share option schemes is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in share premium account. Options which are cancelled prior to their exercise dates, or which lapse, are deleted from their registers of outstanding options.

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3. PRINCIPAL ACCOUNTING POLICIES (Continued)

q) Construction Contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from construction contracts is recognised on the percentage of completion method, measured by reference to the total cost of work certified to date to the estimated total contract cost for each contract. Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

r) Provisions and Contingent Liabilities

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

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.

s) 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.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)**s) Segment Reporting** (Continued)

Segment revenue, expenses, results assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment 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.

4. SEGMENT INFORMATION

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.

The Group's operating businesses are structured and management separately, according to the nature of their operations and the products and services provided. Each of the Group's business segment represents a strategic business unit that offers:

- a) cruise leasing and management business;
- b) travel business;
- c) investment holding;
- d) construction services (discontinued); and
- e) retail business (discontinued).

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4. SEGMENT INFORMATION (Continued)

a) Business segments

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

GROUP

	For the year ended 30 September 2004							
	Continuing operations				Discontinued operations			
	Cruise leasing and management	Travel	Investment holding	Subtotal	Construction services	Retail	Subtotal	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>Notes (i) and (ii)</i>							
Segment revenue:								
Turnover	57,753	3,811	-	61,564	25,047	105,345	130,392	191,956
Other revenue	-	1	4,047	4,048	-	433	433	4,481
Total revenue	<u>57,753</u>	<u>3,812</u>	<u>4,047</u>	<u>65,612</u>	<u>25,047</u>	<u>105,778</u>	<u>130,825</u>	<u>196,437</u>
Segment results	<u>28,155</u>	<u>(605)</u>	<u>(3,712)</u>	<u>23,838</u>	<u>78</u>	<u>6,194</u>	<u>6,272</u>	<u>30,110</u>
Interest income								178
Profit from operations								30,288
Finance costs								(322)
Profit before taxation								29,966
Taxation								(642)
Profit after taxation								29,324
Minority interests								(13,882)
Net profit from ordinary activities attributable to shareholders								<u>15,442</u>
Segment assets	100,469	1,007	36,073	137,549	-	-	-	137,549
Segment liabilities	<u>(35,825)</u>	<u>(138)</u>	<u>(3,673)</u>	<u>(39,636)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,636)</u>
Other segment information:								
Depreciation	4,088	14	605	4,707	198	443	641	5,348
Amortisation of goodwill	66	-	-	66	-	145	145	211
Capital expenditure	<u>96,062</u>	<u>99</u>	<u>303</u>	<u>96,464</u>	<u>86</u>	<u>-</u>	<u>86</u>	<u>96,550</u>

4. SEGMENT INFORMATION (Continued)**a) Business segments** (Continued)*Notes:*

- (i) On 9 December 2003, Access Success Developments Limited ("Access Success"), a wholly owned subsidiary of the Company, together with two independent third parties (the "Purchasers") entered into a conditional agreement to respectively acquire 55%, 30% and 15% interest in a cruise ship and inventories for a total consideration of approximately HK\$94.6 million of which HK\$52 million was paid by Access Success for its share of interest. On the same date, the Purchasers entered into a memorandum to lease the cruise ship and inventories to a cruise operator ("Cruise Operator") for a period of 36 months commencing from the date of delivery of the cruise ship by the Purchasers to the Cruise Operator. Details of the transaction were set out in the circular dated 24 December 2003 issued by the Company. The transaction was completed on 12 January 2004.
- (ii) On 10 March 2004, Capture Success Limited, a subsidiary of the Group entered into an agreement to acquire the entire issued share capital of Hover Management Limited ("Hover"), a company incorporated in Hong Kong for a consideration of HK\$1. Hover is principally engaged in the management of the cruise ship owned by the Group. The fair value of the net identifiable liabilities of Hover attributable to the Group at the date of acquisition was approximately HK\$1,135,000. The resulting goodwill of approximately HK\$1,135,000 will be amortised on a straight-line basis over 10 years.

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4. SEGMENT INFORMATION (Continued)

a) Business segments (Continued)

GROUP

	For the year ended 30 September 2003				
	Continuing operations	Discontinued operations			Group HK\$'000
	Investment holding HK\$'000	Construction services HK\$'000	Retail HK\$'000	Subtotal HK\$'000	
Segment revenue:					
Turnover	–	60,481	56,357	116,838	116,838
Other revenue	142	–	88	88	230
Total revenue	142	60,481	56,445	116,926	117,068
Segment results	39,888	582	(21)	561	40,449
Interest income					77
Profit from operations					40,526
Finance costs					(4,642)
Profit before taxation					35,884
Taxation					(167)
Profit after taxation					35,717
Minority interests					(7)
Net profit from ordinary activities attributable to shareholders					35,710
Segment assets	50,293	27,800	5,821	33,621	83,914
Segment liabilities	25,105	25,378	3,026	28,404	53,509
Other segment information:					
Depreciation	98	317	994	1,311	1,409
Amortisation of goodwill	–	414	237	651	651
Capital expenditure	1,802	748	220	968	2,770

4. SEGMENT INFORMATION (Continued)

b) Geographical segments

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

	For the year ended 30 September 2004				
	Continuing operations			Discontinued operations	
	South China Sea, other than in Hong Kong	Hong Kong	Subtotal	Hong Kong	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:					
Turnover	57,753	3,811	61,564	130,392	191,956
Segment results	28,155	(4,317)	23,838	6,272	30,110
Segment assets	100,469	37,080	137,549	–	137,549
Capital expenditure	96,062	402	96,464	86	96,550
	For the year ended 30 September 2003				
	Continuing operations			Discontinued operations	
	South China Sea, other than in Hong Kong	Hong Kong	Subtotal	Hong Kong	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:					
Turnover	–	–	–	116,838	116,838
Segment results	–	39,888	39,888	561	40,449
Segment assets	–	50,293	50,293	33,621	83,914
Capital expenditure	–	1,802	1,802	968	2,770

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5. TURNOVER AND OTHER REVENUE

The analysis of the Group's turnover by principal activities are as follows:

	Continuing operations		Discontinued operations		Group	
	2004 HK\$'000	2003 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000 (Restated)
Turnover						
Cruise leasing and management fee income	57,753	–	–	–	57,753	–
Travel agent service fee income	3,811	–	–	–	3,811	–
Construction, equipment rental and services income	–	–	25,047	60,481	25,047	60,481
Retail business	–	–	105,345	56,357	105,345	56,357
	61,564	–	130,392	116,838	191,956	116,838
Other revenue						
Interest income	171	68	7	9	178	77
Write back of provision for bad debts	–	–	–	56	–	56
Rental income	–	–	82	–	82	–
Commission income	1	–	–	–	1	–
Waiver of promissory note	119	–	–	–	119	–
Write back of provision for litigation	2,075	–	–	–	2,075	–
Forfeiture of dividends	87	–	–	–	87	–
Write off of trade and other payables	1,766	–	–	–	1,766	–
Others	–	142	351	32	351	174
	4,219	210	440	97	4,659	307

6. WAIVER OF OTHER LOANS

On 29 June 2004, MSHK entered into a deed of assignment with a creditor whereas the creditor agreed to accept as full settlement of the outstanding balance of approximately HK\$5,736,000 by accepting payment of HK\$1,700,000 by the Group. As a result, the Group recorded a gain of approximately HK\$4,036,000.

On 25 July 2003, MSHK entered into a deed of settlement with the lenders of other loans whereas the lenders agreed to accept as full settlement of the outstanding loans of approximately HK\$56,180,000 by accepting payment of HK\$20,000,000 by MSHK. As a result, the Group recorded a gain on waiver of loans of approximately HK\$36,180,000.

7. GAIN ON DISPOSAL OF DISCONTINUED OPERATIONS

On 12 March 2004, Orient Prize Holdings Inc. ("Orient Prize"), a wholly-owned subsidiary, entered into an agreement to dispose of a 60% owned subsidiary, namely Marcello (Tax Free) International Department Store Corporation Limited ("Marcello") for a consideration of HK\$8,200,000 (the "Marcello Disposal"). The consideration of HK\$3,350,000 was settled in cash by the purchaser. The Group directed the purchaser to pay on behalf of the Group the balance of consideration of HK\$4,850,000 to a promissory note holder as full and final settlement of the outstanding promissory note of approximately HK\$4,896,000. The Marcello Disposal was completed on 29 June 2004.

On 26 March 2004, Orient Prize entered into another agreement to dispose of a wholly-owned subsidiary, namely Fine Lord Construction Company Limited ("Fine Lord") to Mr. Chan Chung Chiu, a director of Fine Lord ("Mr. Chan") for a consideration of HK\$5,800,000 (the "Fine Lord Disposal"). The consideration was settled by way of Mr. Chan releasing a promissory note executed by Orient Prize and MSHK dated 25 June 2002 in favour of Mr. Chan with outstanding principal and interest of approximately HK\$5,873,000. The Fine Lord Disposal was completed on 26 March 2004. The Fine Lord Disposal constituted a connected transaction, the details of which were set out in the announcement issued by MSHK on 31 March 2004.

The sales, results, cash flows and net assets of Fine Lord and Marcello were as follows:

	Marcello (Note)		Fine Lord (Note)	
	Nine months ended 30 June 2004 HK\$'000	Year ended 30 September 2003 HK\$'000	Period ended 26 March 2004 HK\$'000	Year ended 30 September 2003 HK\$'000
Turnover	105,345	54,299	25,047	60,481
Cost of sales	(40,225)	(19,296)	(23,322)	(58,347)
Gross profit	65,120	35,003	1,725	2,134
Other revenue	432	78	7	8
Selling and distribution expenses	(55,315)	(29,756)	–	–
Administrative expenses	(6,563)	(4,460)	(1,432)	(1,560)
Profit from operations	3,674	865	300	582
Finance costs	(3)	(10)	(20)	(43)
Profit before taxation	3,671	855	280	539
Taxation	(642)	(162)	–	(5)
Profit after taxation	3,029	693	280	534
Minority interests	(1,211)	(277)	1	4
Net profit	1,818	416	281	538

Note: Not audited by CCIF CPA Limited.

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7. GAIN ON DISPOSAL OF DISCONTINUED OPERATIONS (Continued)

	Marcello		Fine Lord	
	Nine months ended 30 June 2004 HK\$'000	Year ended 30 September 2003 HK\$'000	Period ended 26 March 2004 HK\$'000	Year ended 30 September 2003 HK\$'000
Net operating cash inflow/(outflow)	(4,027)	884	698	1,686
Net investing cash outflow	—	(37)	(61)	(739)
Net financing cash inflow/(outflow)	2,057	(96)	(1)	25
Total net cash inflow/(outflow)	(1,970)	751	636	972
	30 June 2004 HK\$'000	30 September 2003 HK\$'000	26 March 2004 HK\$'000	30 September 2003 HK\$'000
Non-current assets	542	946	3,615	3,726
Current assets	13,489	4,875	12,434	24,069
Total assets	14,031	5,821	16,049	27,795
Total liabilities	(8,207)	(3,026)	(13,351)	(25,377)
Net assets	5,824	2,795	2,698	2,418
Net assets sold	(3,494)		(2,698)	
Goodwill	(2,171)		(3,317)	
	(5,665)		(6,015)	
Disposal consideration	8,200		5,800	
Disposal expenses	(16)		—	
Gain/(loss) on disposal of discontinued operations	2,519		(215)	
The net cash inflow on disposal is determined as follows:				
Cash proceeds from disposals	3,350		—	
Less: Cash and bank balances disposed of with the subsidiaries	(474)		(5,006)	
Bank overdraft disposed of with the subsidiaries	2,206		100	
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	5,082		(4,906)	

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS
a) Directors' remuneration

Directors' remuneration is disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Section 161 of the Companies Ordinance, is as follows:

	2004 HK\$'000	2003 HK\$'000
Fees	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	749	609
Retirement benefit scheme contributions	22	11
	<u>771</u>	<u>620</u>

Other emoluments disclosed above include approximately HK\$203,000 (2003: HK\$75,000) paid to non-executive and independent non-executive directors. None of the directors have waived the right to receive their emoluments.

The remuneration of the directors falls within the following bands:

	Number of directors	
	2004	2003
HK\$ 0 – 1,000,000	<u>7</u>	<u>12</u>

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8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

b) Five highest paid employees

One of the directors was among the five highest paid employees during the year (2003: four).

The details of the remuneration of the five highest paid employees during the year, including the director, are disclosed as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries, allowances and benefits in kind	1,714	2,230
Retirement benefit scheme contributions	90	60
	<u>1,804</u>	<u>2,290</u>

The remuneration falls within the following bands:

	Number of individuals	
	2004	2003
HK\$ 0 – 1,000,000	<u>5</u>	<u>5</u>

9. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging/(crediting) the following:

	Continuing operations		Discontinued operations		Group	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Amortisation of goodwill	211	757	–	–	211	757
Auditors' remuneration	436	406	42	22	478	428
Depreciation:						
Owned fixed assets	4,707	97	641	1,235	5,348	1,332
Assets held under finance lease	–	–	–	77	–	77
Operating lease rentals:						
Land and buildings	813	56	850	648	1,663	704
Plant and machinery	–	–	53	971	53	971
Provision for other receivables	–	–	335	–	335	–
Exchange gain	(208)	–	–	–	(208)	–
Loss on disposal of fixed assets, net	–	9	–	–	–	9
Staff cost (including contribution of Mandatory Provident Fund of HK\$339,000) (2003: HK\$633,000)	16,321	273	2,429	17,319	18,750	17,592

10. FINANCE COSTS

	Group	
	2004 HK\$'000	2003 HK\$'000
Interest expenses on:		
Other borrowings wholly repayable within five years	299	4,590
Finance leases	3	10
Bank loans and overdraft wholly repayable within five years	20	42
	322	4,642

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11. TAXATION

No provision for Hong Kong profits tax has been made since the Company did not generate any assessable profits during the period.

The amount of taxation charged to the pro forma combined income statement represents:

	Group	
	2004 HK\$'000	2003 HK\$'000
Hong Kong Profits Tax		
– Charge for the year	681	291
– Underprovision in prior year	–	5
	681	296
Deferred taxation relating to the origination and reversal of temporary differences	(39)	(138)
Deferred taxation resulting from an increase in tax rate	–	9
	642	167

A reconciliation between tax expense and accounting profit at applicable tax rate is as follows:

	2004 HK\$'000	2003 HK\$'000
Profit before tax	29,966	35,884
Calculated at a tax rate of 17.5%	5,244	6,280
Tax effect of non-deductible items for tax purposes	1,908	1,542
Tax effect of non-taxable income	(7,638)	(7,804)
Tax effect of unrecognised tax losses	1,513	222
Unrecognised temporary differences	(341)	(25)
Tax effect on utilisation of previously unrecognised tax losses	(44)	(62)
Deferred tax effect on increase in tax rate	–	9
Underprovision in prior year	–	5
	642	167

11. TAXATION (Continued)

Hong Kong profits tax has been provided for at the rate of 17.5% on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the subsidiaries operate.

Taxation in the pro forma combined balance sheet represents provision for taxation of the current and prior years less the amount of tax paid.

12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the period ended 30 September 2004 dealt with in the financial statements of the Company amounted to approximately HK\$15,000.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the pro forma combined net profit from ordinary activities attributable to shareholders of approximately HK\$15,442,000 (2003: HK\$35,710,000) and on the pro forma weighted average of 1,575,214,000 (2003: 394,033,000) ordinary shares deemed to have been issued during the year.

There was no dilution effect on the basic earnings per share for the years ended 30 September 2004 and 2003, and accordingly, no pro forma diluted earnings per share has been presented.

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14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Cruise improvements 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
Group							
Cost							
At 1/10/2003	2,327	–	1,991	1,207	1,795	664	7,984
Acquisition of a subsidiary	–	–	472	829	1,296	–	2,597
Additions	–	93,600	145	1,279	1,296	230	96,550
Disposal of subsidiaries	(2,327)	–	(413)	(1,294)	(1,571)	(664)	(6,269)
At 30/9/2004	–	93,600	2,195	2,021	2,816	230	100,862
Accumulated depreciation							
At 1/10/2003	60	–	98	457	771	252	1,638
Acquisition of a subsidiary	–	–	10	25	45	–	80
Charge for the year	26	3,510	600	373	693	146	5,348
Disposal of subsidiaries	(86)	–	(14)	(574)	(1,157)	(353)	(2,184)
At 30/9/2004	–	3,510	694	281	352	45	4,882
Net book value							
At 30/9/2004	–	90,090	1,501	1,740	2,464	185	95,980
At 30/9/2003	2,267	–	1,893	750	1,024	412	6,346

At 30 September 2003, motor vehicles with net book value of approximately HK\$107,000 were held under finance leases.

The Group's leasehold land and buildings were situated in Hong Kong and held under medium term lease. At 30 September 2003, the leasehold land and buildings were pledged to secure a bank loan granted to a subsidiary.

15. GOODWILL

	HK\$'000
Cost	
At 1/10/2003	7,041
Acquisition of a subsidiary	1,135
Disposal of subsidiaries	(7,041)
	<hr/>
At 30/9/2004	1,135
	<hr/>
Accumulated amortisation	
At 1/10/2003	1,408
Charge for the year	211
Disposal of subsidiaries	(1,553)
	<hr/>
At 30/9/2004	66
	<hr/>
Net book value	
At 30/9/2004	1,069
	<hr/>
At 30/9/2003	5,633
	<hr/>

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16. INTEREST IN SUBSIDIARIES

Particulars of the principal subsidiaries acquired by the Company pursuant to the Group Reorganisation are as follows:

Name of company	Attributable interest		Place of incorporation/ operations	Nominal value of issued share capital	Principal activities
	to the Company %	to the Group %			
Macau Success (Hong Kong) Limited (formerly known as "Macau Success Limited")	100	100	Hong Kong	HK\$100,000	Investment holding
Orient Prize Holdings Inc.	–	100	British Virgin Islands/ Hong Kong	US\$100	Investment holding
Access Success Developments Limited	–	100	British Virgin Islands	US\$1	Investment holding
Capture Success Limited*	–	55	British Virgin Islands/ South China Sea, other than in Hong Kong	US\$100	Cruise leasing
Hover Management Limited*	–	55	Hong Kong/ South China Sea, other than in Hong Kong	HK\$100	Provision of cruise management services
Macau Success Management Services Limited	–	100	Hong Kong	HK\$100	Provision of administration services
Travel Success Limited	–	100	Hong Kong	HK\$500,000	Travel agency
Top Region Assets Limited	–	100	British Virgin Islands	US\$1	Dormant
Precise Innovation Limited	–	100	British Virgin Islands	US\$1	Dormant
Golden Sun Profits Limited	–	100	British Virgin Islands	US\$1	Dormant
World Fortune Limited	–	100	Hong Kong	HK\$100	Investment holding
Ace Horizon Limited	–	100	British Virgin Islands	US\$1	Dormant

* Not audited by CCIF CPA Limited

17. INVESTMENT SECURITIES

	Group	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at cost	971	–
Due from the investee company	2,500	–
	<u>3,471</u>	<u>–</u>

The amount was unsecured, interest free and without fixed terms of repayment.

On 13 January 2004, a wholly-owned subsidiary, namely World Fortune Limited (“World Fortune”) subscribed 10% shares of a company incorporated in Macau, namely Pier 16 – Property Development Limited (“Pier 16 – Property Development”) for a consideration of MOP\$1,000,000 (equivalent to approximately HK\$971,000).

On 5 November 2004, World Fortune acquired an additional 14.5% issued share capital of Pier 16 – Property Development at a consideration of MOP\$1,450,000 (equivalent to approximately HK\$1,408,000). Upon completion of the acquisition, Pier 16 – Property Development became an associate of the Group.

18. INVENTORIES

	Group	
	2004	2003
	HK\$'000	HK\$'000
Fuel oil	1,214	–
Merchandised goods	–	3,797
	<u>1,214</u>	<u>3,797</u>

There is no inventory stated at net realisable value.

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19. TRADE RECEIVABLES

The Group normally allows a credit period of 30 days (2003: 60 days). An analysis of trade receivables is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Current to 30 days	1,454	8,464
31 to 60 days	45	3,936
61 to 90 days	2	1,748
Over 90 days	1	–
Retention receivable	–	5,332
	1,502	19,480

20. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	Group	
	2004 HK\$'000	2003 HK\$'000
Contract costs incurred plus attributable profits	–	33,349
Less: Progress billings	–	(40,983)
	–	(7,634)
Representing:		
Amounts due from contract customers	–	3
Amounts due to contract customers	–	(7,637)
	–	(7,634)

At 30 September 2003, retention receivable for contracts in progress amounting to approximately HK\$5,332,000 has been included in trade receivables.

21. TRADE PAYABLES

An aged analysis of trade payables is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Current to 30 days	136	6,514
31 – 60 days	–	1,517
61 – 90 days	–	–
Over 90 days	–	5,526
Retention payable	–	2,752
	136	16,309

22. FINANCE LEASE PAYABLE

	Group			
	2004		2003	
	Minimum lease payments HK\$'000	Present value of minimum lease payments HK\$'000	Minimum lease payments HK\$'000	Present value of minimum lease payments HK\$'000
Within one year	–	–	35	32
After one year but within two years	–	–	–	–
Future finance charges on finance leases	–	–	35	32
	–	–	(3)	–
Present value of finance lease obligations	–	–	32	32

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23. INTEREST-BEARING BANK LOAN

	Group	
	2004 HK\$'000	2003 HK\$'000
Secured bank loan repayable		
Within one year or on demand	–	99
In the second year	–	103
In the third to fifth years, inclusive	–	333
After fifth year	–	465
	–	1,000
Portion classified as current liabilities	–	(99)
	–	901

24. OTHER BORROWINGS

	Group	
	2004 HK\$'000	2003 HK\$'000
Promissory notes		
Repayable within one year	–	10,470
Other loan		
Repayable within one year	1,652	–
	1,652	10,470

The promissory notes were unsecured, bearing interest at 5% per annum and repayable in June 2004. The other loan was unsecured, bearing interest at 2% per annum and repayable in September 2005.

25. LOANS FROM MINORITY SHAREHOLDERS

The loans are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, the loans will not be repaid within the next twelve months.

26. DEFERRED TAX ASSETS/LIABILITIES
(a) Recognised deferred tax (assets)/liabilities

Deferred taxation is calculated in full on temporary differences under the liability method using a tax rate of 17.5% (2003: 17.5%). The movement of deferred tax (assets)/liabilities during the year is as follows:

	2004 HK\$'000	2003 HK\$'000
		Accelerated depreciation allowance
At beginning of the year	(32)	97
Charged to the pro forma combined income statement	(39)	(129)
Disposal of a subsidiary	71	–
At end of the year	–	(32)

(b) Unrecognised deferred tax assets

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through utilisation against future taxable profits is probable. At 30 September 2004, the Group has tax losses of approximately HK\$46 million (2003: HK\$38 million) that are available to carry forward indefinitely for offsetting against future taxable profits.

27. ISSUED CAPITAL

	2004 HK\$'000
Authorised:	
10,000,000 ordinary shares of HK\$0.01 each	100
Issued and nil paid:	
10,000,000 ordinary shares of HK\$0.01 each	–

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27. ISSUED CAPITAL (Continued)

The change in the Company authorised and issued share capital which took place during the period from 27 May 2004 (date of incorporation) to 8 November 2004, are as follows:

- a. On incorporation, the authorised share capital of the Company was HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each, all of which were issued and allotted nil paid on 18 June 2004.
- b. On 8 November 2004, the authorised share capital of the Company was increased from HK\$100,000 to HK\$1,600,000,000 by the creation of a further 159,990,000,000 shares of HK\$0.01 each, ranking pari passu with the existing share capital of the Company.
- c. On 8 November 2004, as part of the Group Reorganisation described in note 2 to the financial statements, the Company issued an aggregate of 1,577,464,233 shares of HK\$0.01 each, credited as fully paid and transfer of 10,000,000 shares of HK\$0.01 each, also credited as fully-paid by MSHK to shareholder of MSHK in consideration for the cancellation of the shares of MSHK.

For the purpose of the preparation of the pro forma combined financial statements of the Group, these shares are deemed to have been in issue since 1 October 2002 and as if the current Group structure had been in existence since that date. Accordingly, the share capital as at 30 September 2004 and 2003 presented in the pro forma combined balance sheet of the Group represents the issued share capital of the Company after the issue of shares above.

	Number of shares authorised	Number of shares issued	Par value of issued share capital HK\$'000
Share issued on incorporation	–	–	–
On 18 June 2004	10,000,000	10,000,000	100
On 8 November 2004	159,990,000,000	–	–
Share issued as consideration for the acquisition of MSHK	–	1,577,464,233	15,775
	<u>160,000,000,000</u>	<u>1,587,464,233</u>	<u>15,875</u>

28. SHARE OPTION SCHEME

a) New Scheme

On 20 August 2004, the Company adopted a share option scheme (the "New 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 New Scheme include the Company's directors and other employees of the Group. The New Scheme became effective on 8 November 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Under the New 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 the executive and non-executive directors) and any vendor, supplier, consultant, agent, adviser or customer who is eligible to participate in the New Scheme, to take up options to subscribe for shares in the Company.

The maximum number of shares which may be issued upon exercise of all options to be granted under the New 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 New Scheme.

The Company may seek approval of the shareholders in general meeting for refreshing the 10 per cent limit under the New Scheme save that the total number of shares which may be issued upon exercise of all options to be granted under the New 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 New 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 this paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New 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 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 offer date; (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 (5) trading days immediately preceding the offer date; 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 the offer, upon payment of a considerations of HK\$1 by the grantee. The exercise period of the share options granted is determined by the board of directors, 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 has been granted under the New Scheme since its adoption.

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28. SHARE OPTION SCHEME (Continued)

b) Old Scheme

MSHK operates a share option scheme (the “Old 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 Old Scheme include MSHK’s directors and other employees of the Group. The Old Scheme became effective on 7 March 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Under the Old Scheme, the directors of MSHK are authorised at their absolute discretion, to invite employee, including any director of MSHK or any of its subsidiaries, to take up options to subscribe for shares in MSHK.

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

MSHK may seek approval of the shareholders in general meeting for refreshing the 10 per cent. limit under the Old Scheme save that the total number of shares which may be issued upon exercise of all options to be granted under the Old Scheme and any other share option schemes of MSHK 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 Old Scheme or any other share option schemes of MSHK (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Old Scheme or any other share option schemes of MSHK) will not be counted for the purpose of calculating the limit as “refreshed”.

Notwithstanding aforesaid in this paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Old Scheme and any other share option schemes of MSHK 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 subscription price in respect of any particular option shall be such price as determined by the board in its absolute discretion at the time of the making of the offer but in any case the subscription price shall not be lower than the highest of (i) the closing price of the shares as stated in the Exchange’s daily quotations sheet on the offer date, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock’s daily quotations sheets for the five (5) trading days immediately preceding the offer date; and (iii) the nominal value of a share.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a considerations of HK\$1 by the grantee. The exercise period of the share options granted is determined by the board of directors, save that such period shall not be more than a period of ten years from the date of offer.

On 27 September 2004, MSHK resolved to terminate the Old Scheme. No share options had been granted under the Old Scheme since its adoption.

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29. RESERVES
Group

	Share premium HK\$'000	Distributable reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 October 2002						
– as previously reported	299,073	–	(6,819)	976	(991,510)	(698,280)
– effect on adoption of revised SSAP 12	–	–	–	–	(58)	(58)
– Unamortised goodwill reclassified as intangible assets	–	–	6,819	–	–	6,819
– as restated	299,073	–	–	976	(991,568)	(691,519)
Capital reduction	–	–	–	–	594,766	594,766
Subscription of new shares	59,566	–	–	–	–	59,566
Placing of new shares	17,016	–	–	–	–	17,016
Share issuance cost	(1,155)	–	–	–	–	(1,155)
Net profit for the year	–	–	–	–	35,710	35,710
At 30 September 2003	374,500	–	–	976	(361,092)	14,384
At 1 October 2003						
– as previously reported	374,500	–	–	976	(361,112)	14,364
– effect on adoption of revised SSAP 12	–	–	–	–	20	20
– as restated	374,500	–	–	976	(361,092)	14,384
Placing of new shares	41,067	–	–	–	–	41,067
Share issuance costs	(598)	–	–	–	–	(598)
Transfer pursuant to the Group Reorganisation	(414,969)	54,450	–	–	360,519	–
Net profit for the year	–	–	–	–	15,442	15,442
At 30 September 2004	–	54,450	–	976	14,869	70,295

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29. RESERVES (Continued)

Company

**Accumulated
losses**
HK\$'000

At 27 May 2004 (date of incorporation)	–
Net loss for the period	(15)
At 30 September 2004	(15)

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30. ACQUISITION OF A SUBSIDIARY

	2004 HK\$'000	2003 HK\$'000
Net liabilities acquired:		
Fixed assets	2,517	–
Inventories	554	–
Debtors, deposits and prepayments	1,075	–
Cash and bank balances	2,775	–
Creditors and accrued charges	(8,522)	–
Bank overdraft	(462)	–
	(2,063)	–
Minority interest	928	–
	(1,135)	–
Goodwill on acquisition	1,135	–
Consideration	–	–
Satisfied by:		
Cash consideration of HK\$1	–	–
Cash flow on acquisition net of cash acquired:		
Cash and bank balances acquired	2,313	–
Cash consideration of HK\$1 paid	–	–
	2,313	–

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31. DISPOSAL OF SUBSIDIARIES

	2004 HK\$'000	2003 HK\$'000
Net assets/(liabilities) disposed of:		
Fixed assets	4,085	1,078
Deferred tax assets	71	–
Short-term investments	–	230
Inventory and work in progress	8,526	214
Debtors, deposits and prepayments	11,917	154
Cash and bank balances	5,480	46
Goodwill	5,488	535
Creditors and accruals	(17,440)	(9,016)
Bank overdraft	(2,306)	(119)
Bank loan	(850)	–
Minority interests	(2,329)	(116)
Tax payable	(972)	–
	<u>11,670</u>	<u>(6,994)</u>
Cost in relation to the disposals	16	–
	<u>11,686</u>	<u>(6,994)</u>
Gain on disposal of subsidiaries	2,314	7,984
	<u>14,000</u>	<u>990</u>
Satisfied by:		
Partial settlement of promissory note payable	10,650	990
Cash consideration	3,350	–
	<u>14,000</u>	<u>990</u>
Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:		
Cash and bank balances disposed of with the subsidiaries	(5,480)	(46)
Bank overdraft disposed of with the subsidiaries	2,306	119
Cash consideration received	3,350	–
Cost on disposal of subsidiaries	(16)	–
	<u>160</u>	<u>73</u>

The subsidiaries disposed of during the year contributed approximately HK\$130,392,000 (2003: approximately HK\$2,058,000) to the Group's turnover and profit after tax of approximately HK\$4,983,000 (2003: loss of approximately HK\$886,000) to the Group for the year.

32. COMMITMENTS
(a) Capital commitments

	Group	
	2004	2003
	HK\$'000	HK\$'000
Authorised but not contracted for	<u>180</u>	<u>–</u>

(b) Operating lease commitments

At the balance sheet date, the Group had the following commitments for future lease payments under non-cancellable operating leases which fall due as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Within one year	<u>925</u>	1,199
In the second to fifth years, inclusive	<u>831</u>	1,417
	<u>1,756</u>	<u>2,616</u>

33. RELATED PARTY TRANSACTIONS

On 26 March 2004, a wholly owned subsidiary, Orient Prize entered into an agreement to dispose of a wholly owned subsidiary namely Fine Lord Construction Company Limited ("Fine Lord") at a consideration of HK\$5,800,000. The purchaser, Mr. Chan Chung Chiu ("Mr. Chan"), is a director of Fine Lord. Therefore, the transaction constituted a connected transaction. The consideration was arrived at after arm's length negotiations between the Group and Mr. Chan. The consideration was satisfied by way of Mr. Chan releasing a promissory note executed by Orient Prize and MSHK dated 25 June 2002 in favour of Mr. Chan with outstanding principal and interest of approximately HK\$5,873,000. The disposal was completed on 26 March 2004. Details of the disposal were set out in an announcement of MSHK dated 31 March 2004.

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34. POST BALANCE SHEET EVENTS

a) Group Reorganisation

Pursuant to a scheme of arrangement dated 27 August 2004, which had been sanctioned by the Court of First Instance of the High Court, Hong Kong on 29 October 2004 and became effective on 8 November 2004, the following events took place:

- i) simultaneous with each other:
 - the entire issued share capital of MSHK was reduced by cancelling and extinguishing all the 1,587,464,233 shares in issue (the “Scheme Shares”);
 - MSHK applied part of the credit arising as a result of the capital reduction in paying up in full at par the 10,000,000 new shares allotted and issued, credited as fully paid, to the Company such that MSHK became a wholly-owned subsidiary of the Company and transferred the remaining credit to the distributable reserve account of MSHK;
 - the authorised share capital of MSHK was reduced to HK\$100,000 divided into 10,000,000 shares held by the Company
- ii) the share premium account of MSHK was reduced, cancelled and applied against to set off the accumulated losses of MSHK and the remaining credit thereof was transferred to the distributable reserve account; and
- iii) the shareholders of the 1,587,464,233 shares of MSHK received on the basis of one share of the Company for every one share of MSHK in consideration for the cancellation of their Scheme Shares.

34. POST BALANCE SHEET EVENTS (Continued)

b) Acquisition of additional 14.5% equity interest in Pier 16 – Property Development Ltd.

Pursuant to an extraordinary general meeting of Pier 16 – Property Development Limited (“Pier 16 – Property Development”) held on 5 November 2004, SJM-Investmentos Limitada (“SJM-Investmentos”), the major shareholder of Pier 16 – Property Development, agreed to transfer 14.5% equity interests in Pier 16 – Property Development to the Group at a consideration of MOP1,450,000 (or equivalent to approximately HK\$1.4 million). Following the transfer, the Group increased its shareholding in Pier 16 – Property Development from 10% to 24.5% such that Pier 16 – Property Development became an associate of the Group.

In addition, the Group is required to provide shareholder’s loans to Pier 16 – Property Development in proportion to its equity interest in Pier 16 – Property Development for the development of a theme park “Ponte 16”, details of which are set out in a circular of the Company dated 26 November 2004.

c) Subscription of new shares

On 10 November 2004, the Company entered into a top-up subscription agreement (the “Subscription Agreement”) with its major shareholder. Pursuant to the Subscription Agreement, the major shareholder agreed to subscribe 317,000,000 new shares of the Company of HK\$0.01 each at HK\$1.28 per share. On 23 November 2004, the Company issued and allotted 317,000,000 new shares for a total consideration of HK\$405,760,000, before expenses, to the major shareholder.

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35. LITIGATION

In April 2004, MSHK paid US\$375,000 to Guido Giacometti, a trustee of the estate of Mr. Sukarman Sukamto (“Mr. Sukamto”), a former director and substantial shareholder of MSHK, to settle the proceedings against MSHK in the U.S. Bankruptcy Court in the District of Hawaii claiming against MSHK, among other things, the sum of US\$594,027 (of which US\$500,000 being partial refund of the deposit and US\$94,027 being interest accrued upon), together with attorney’s fees and costs. A provision of HK\$5,000,000 was made in prior years, as such, the overprovision of approximately HK\$2,075,000 was reversed and included in other revenue during the year.

A summary of the results and of the assets and liabilities of the Group for the last five financial periods, as extracted from the pro forma combined/audited financial statements and reclassified as appropriate or restated (as indicated) in order to comply with SSAP 24 on a retrospective basis, is set out below.

RESULTS

	Year ended 30 September			Period ended	Year ended
	2004	2003	2002	30 September	30 June
	2004	2003	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover :					
Continuing operations	61,564	–	35,992	6,396	–
Discontinued operations	130,392	116,838	266,271	435,431	634,427
	<u>191,956</u>	<u>116,838</u>	<u>302,263</u>	<u>441,827</u>	<u>634,427</u>
Net profit/(loss) attributable to shareholders	<u>15,442</u>	<u>35,710</u>	<u>(115,407)</u>	<u>(329,251)</u>	<u>(173,125)</u>
Earnings/(Loss) per share			(Restated)		
– basic	<u>0.98 cents</u>	<u>9.0 cents</u>	<u>(77.4) cents</u>	<u>(31.7) cents</u>	<u>(23.8) cents</u>
– diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

ASSETS AND LIABILITIES

	30 September				30 June
	2004	2003	2002	2001	2000
	2004	2003	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	<u>137,549</u>	<u>83,914</u>	<u>72,668</u>	<u>371,933</u>	<u>650,604</u>
Total liabilities	<u>(39,636)</u>	<u>(53,509)</u>	<u>(166,611)</u>	<u>(327,590)</u>	<u>(418,532)</u>
Minority interests	<u>(11,743)</u>	<u>(1,118)</u>	<u>(1,261)</u>	<u>–</u>	<u>–</u>
Net assets/(liabilities)	<u>86,170</u>	<u>29,287</u>	<u>(95,204)</u>	<u>44,343</u>	<u>232,072</u>