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.

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;

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.

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.

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.

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).

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 HK$'000 *Notes (i) and (ii)*	Travel HK$'000	Investment holding HK$'000	Subtotal HK$'000	Construction services HK$'000	Retail HK$'000	Subtotal HK$'000	Group HK$'000
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	57,753	3,812	4,047	65,612	25,047	105,778	130,825	196,437
Segment results	28,155	(605)	(3,712)	23,838	78	6,194	6,272	30,110
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								15,442
Segment assets	100,469	1,007	36,073	137,549	–	–	–	137,549
Segment liabilities	(35,825)	(138)	(3,673)	(39,636)	–	–	–	(39,636)
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	96,062	99	303	96,464	86	–	86	96,550

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.

4. SEGMENT INFORMATION (Continued)

a) Business segments (Continued)

GROUP

	For the year ended 30 September 2003				
	Continuing operations	Discontinued operations			
	Investment holding HK$'000	Construction services HK$'000	Retail HK$'000	Subtotal HK$'000	Group 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 HK$'000	Hong Kong HK$'000	Subtotal HK$'000	Hong Kong HK$'000	Group 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 HK$'000	Hong Kong HK$'000	Subtotal HK$'000	Hong Kong HK$'000	Group 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

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.

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
	771	620

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	7	12

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
	1,804	2,290

The remuneration falls within the following bands:

	Number of individuals	
	2004	2003
HK$		
0 – 1,000,000	5	5

9. PROFIT FROM OPERATIONS

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

	Continuing operations		Discontinued operations		Group	
	2004	2003	2004	2003	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'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	2003
	HK$'000	HK$'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

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	2003
	HK$'000	HK$'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	2003
	HK$'000	HK$'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
Tax charge	**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.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Cruise HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fittings and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
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)
At 30/9/2004	1,135
Accumulated amortisation	
At 1/10/2003	1,408
Charge for the year	211
Disposal of subsidiaries	(1,553)
At 30/9/2004	66
Net book value	
At 30/9/2004	1,069
At 30/9/2003	5,633

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 to the Company %	Attributable interest to the Group %	Place of incorporation/ operations	Nominal value of issued share capital	Principal activities
Macau Success (Hong Kong) Limited (formerly known as 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	–
	3,471	–

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
	1,214	3,797

There is no inventory stated at net realisable value.

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

23. INTEREST-BEARING BANK LOAN

	Group	
	2004	2003
	HK$'000	HK$'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)
Non-current portion	–	901

24. OTHER BORROWINGS

	Group	
	2004	2003
	HK$'000	HK$'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:

	Accelerated depreciation allowance	
	2004 HK$'000	2003 HK$'000
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	–

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
	160,000,000,000	1,587,464,233	15,875

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.

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.

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

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)

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	–

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)	–
	11,670	(6,994)
Cost in relation to the disposals	16	–
	11,686	(6,994)
Gain on disposal of subsidiaries	2,314	7,984
	14,000	990
Satisfied by:		
Partial settlement of promissory note payable	10,650	990
Cash consideration	3,350	–
	14,000	990
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)	–
New inflow of cash and cash equivalents in respect of the disposal of subsidiaries	160	73

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	**180**	–

(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	**925**	1,199
In the second to fifth years, inclusive	**831**	1,417
	1,756	2,616

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.

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-Investimentos Limitada ("SJM-Investimentos"), 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 – Properly 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.

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.