NOTES TO THE 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 and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 19 to the financial statements.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION

Macau Success (Hong Kong) Limited ("MSHK"), the former holding company of the Group which was previously listed on the Stock Exchange, put forward a group reorganisation plan (the "Group Reorganisation"). Pursuant to the Group Reorganisation, a scheme of arrangement dated 27 August 2004, which was 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 to pay 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 to set off against 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 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.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION (Continued)

The Group Reorganisation involved companies under common control, and for accounting purposes, the Company and its acquired subsidiaries are regarded and accounted for as a continuing group. Accordingly, the consolidated financial statements have been prepared using the merger basis of accounting as if the Company had always been the holding company of the Group. On this basis, the Company has been treated as the holding company of its subsidiaries for the financial years presented or since their dates of incorporation if these are shorter periods, rather than from the subsequent date of acquisition of the subsidiaries. The consolidated results and cash flows of the Group for the years ended 30 September 2004 and 2005 include the results and cash flows of the Company and its subsidiaries with effect from 1 October 2003 or since their respective dates of incorporation, where these are shorter periods. The comparative consolidated balance sheet as at 30 September 2004 was prepared as if that the Group had been in existence at that date.

In the opinion of the directors, the consolidated financial statements prepared on this basis present more fairly the comparative results, cash flows and financial position of the Group as a whole.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which also include all Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and The Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. They have been prepared under the historical cost convention, except for the revaluation of an associate's property at fair value.

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The Board of Directors has determined the accounting policies to be adopted, in the preparation of the Group's annual financial statements for the year ended 30 September 2005, on the basis of HKFRSs currently in issue. A summary of the significant accounting policies adopted by the Group is set out below.

a) *Early adoption of HKFRSs*

The following new and revised HKFRSs are relevant to the Group's financial statements and are adopted for the first time for the preparation of the current year's financial statements. In accordance with the relevant requirements under these HKFRSs where permitted, comparative amounts of the financial statements for the year ended 30 September 2004 have been restated.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) *Early adoption of HKFRSs (Continued)*

HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-Current Assets Held for Sale and Discontinued Operations
HKAS-Int 12	Scope of HKAS-Int 12 Consolidation – Special Purpose Entities
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets

The adoption of the above HKFRSs has the following impacts on the Group's accounting policies:

– HKAS 1 affects certain presentation and disclosure of the financial statements;

– HKAS 8, 27 and 33 affect certain disclosure of the financial statements;

– HKASs 2, 7, 10, 12, 14, 16, 17, 18, 19, 21, 23, 24, 28, 32, 37, 38, 39, 40, HKFRS 2, 5, HKAS-Int 12, HKAS-Int 15 and HKAS-Int 21 do not have any significant change in the Group's accounting policies; and

– the impact of the early adoption of other HKFRSs is set out in note 4.

b) *Basis of consolidation*

The consolidated 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 consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) *Basis of consolidation (Continued)*

Minority interests represent the interests of outside shareholders in the operating results and net assets of the Company's subsidiaries and are presented separately in the consolidated income statements and within the equity in the consolidated balance sheet from the results/equity attributable to equity holders of the Company.

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.

An investment in a subsidiary is consolidated into the consolidated 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 consolidated balance sheet at fair value with changes in fair value recognised in the consolidated 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 consolidated 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) *Associates*

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of its associates are included in the consolidated income statement and consolidated reserves respectively. The Group's interest in the associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) *Associates (Continued)*

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

e) *Goodwill*

Positive goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's share of fair value of the identifiable assets and liabilities acquired on acquisitions of subsidiaries and associates.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associates.

Negative goodwill arising on acquisitions of controlled subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is recognised immediately in the consolidated income statement as it arises.

f) *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 trade 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.

g) *Trade receivables*

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. 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.

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%
Plant and machinery	20%
Furniture, fittings and office equipment	20% – 33$^1/_3$%
Motor vehicles	30% – 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 income statement.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Impairment of assets (Continued)

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 losses made against goodwill is not reversed.

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.

j) Investment and other financial assets

Financial assets in the scope of HKAS 39 are classified into four categories including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

i) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other three categories under the scope of HKAS 39. After initial recognition, available-for-sale investments are measured at fair value with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) *Investment and other financial assets (Continued)*

i) Available-for-sale investments *(Continued)*

The Group assesses at each balance sheet date whether there is any objective evidence that an available-for-sale investment is impaired as a result of one or more events that occurred after the initial recognition of the assets ("loss events"). Where the loss event has an impact on the estimated future cash flows that can be reliably estimated, they are stated at cost less any accumulated impairment losses. If an available-for-sale investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in profit and loss, is transferred from equity to the income statement. If the fair value of an available-for-sale debt investment increases in the subsequent period, and the increase can be objectively related to an event occurring after the loss was recognised in the income statement, the impairment loss should be reversed and recognised in the income statement. However, in case of equity investments, impairment cannot be reversed through the income statement.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

k) *Inventories*

Stocks 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. Net realisable value is determined by reference to the sale 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.

l) *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. For the purpose of the consolidated cash flow statement, cash equivalents also include bank overdrafts and advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) *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 goodwill or the initial recognition of an asset or liability in a transaction and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of taxable temporary differences associated with interests in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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; and in respect of deductible temporary difference associated with interests in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) *Related parties*

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.

o) *Foreign currencies*

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are initially recorded using the functional currency rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statements. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are not Hong Kong dollars. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company (i.e., Hong Kong dollars) at the exchange rates ruling at the balance sheet date and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign entity is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries that arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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-based compensation

The Group operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) *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 expenses in the income statement. The impairment loss is written back to income statement when the circumstances and events that led to the write-down or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

r) *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.

s) *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.

t) *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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) *Segment reporting (Continued)*

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.

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

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

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

u) *Operating lease charges*

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

4. CHANGES IN ACCOUNTING POLICIES

a) *Amortisation of positive and negative goodwill (HKFRS 3 Business Combinations and HKAS 36 Impairment of Assets)*

In prior years:

– positive or negative goodwill which arose prior to 1 January 2001 was taken directly to reserves at the time it arose, and was not recognised in the income statement until disposal or impairment of the acquired business;

– positive goodwill which arose on or after 1 January 2001 was amortised on a straight line basis over its useful life of 10 years and was subject to impairment testing when there were indications of impairment; and

– negative goodwill which arose on or after 1 January 2001 was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the income statement as those expected losses were incurred.

With effect from 1 October 2004 in accordance with HKFRS 3 and HKAS 36, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

4. CHANGES IN ACCOUNTING POLICIES (Continued)

a) *Amortisation of positive and negative goodwill (HKFRS 3 Business Combinations and HKAS 36 Impairment of Assets) (Continued)*

Also with effect from 1 October 2004 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in the income statement as it arises.

The new policy in respect of positive goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as at 1 October 2004 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the income statement for the year ended 30 September 2005.

Also in accordance with the transitional arrangements under HKFRS 3, goodwill which had previously been taken directly to reserves (i.e goodwill which arose before 1 January 2001) will not be recognised in the income statement on disposal or impairment of the acquired business, or under any other circumstances.

b) *Minority interest (HKAS 1 Presentation of Financial Statements and HKAS 27 Consolidated and Separate Financial Statements)*

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as a deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the consolidated income statement as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 October 2004, in order to comply with HKAS 1 and HKAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company, and minority interests in the results of the Group for the year are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between the minority interests and the equity holders of the Company.

The presentation of minority interests in the consolidated balance sheet, income statement and statement of changes in equity for the comparative year has been restated accordingly.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) *Property, plant and equipment and depreciation*

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

b) *Impairment of assets*

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

6. FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to the following risks:

a) *Interest rate risk*

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

b) *Foreign currency risk*

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

c) *Credit risk*

The Group has no significant concentrations of credit risk and trade debtors are managed in accordance with the credit policies.

d) *Liquidity risk*

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

7. 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) construction services (discontinued); and

d) retail business (discontinued).

7. SEGMENT INFORMATION (Continued)

a) *Business segments*

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

Group

	For the year ended 30 September 2005		
	Continuing operations		
	Cruise leasing and management HK$'000	Travel HK$'000	Consolidated HK$'000
Revenue			
Turnover	95,382	5,523	100,905
Other revenue	12	42	54
Total revenue	95,394	5,565	100,959
Results			
Segment results	43,413	(789)	42,624
Unallocated corporate income			5,805
Unallocated corporate expenses			(16,537)
Profit from operations			31,892
Share of results of associates			(12)
Finance costs			(97)
Profit before taxation			31,783
Taxation			–
Profit for the year			31,783
Minority interests			(19,492)
Profit attributable to equity holders of the Company			12,291

	For the year ended 30 September 2005		
	Continuing operations		
	Cruise leasing and management HK$'000	Travel HK$'000	Consolidated HK$'000
Balance Sheet			
Assets			
Segment assets	131,909	924	132,833
Unallocated assets			579,261
Consolidated total assets			712,094
Liabilities			
Segment liabilities	28,901	208	29,109
Unallocated liabilities			2,251
Consolidated total liabilities			31,360

	For the year ended 30 September 2005			
	Continuing operations			
	Cruise leasing and management HK$'000	Travel HK$'000	Unallocated HK$'000	Consolidated HK$'000
Other information				
Depreciation	5,781	21	672	6,474
Capital expenditure	397	6	338	741

7. SEGMENT INFORMATION (Continued)

a) *Business segments (Continued)*

Group (Continued)

	For the year ended 30 September 2004 (Restated)						
	Continuing operations			Discontinued operations			
	Cruise leasing and management HK$'000	Travel HK$'000	Subtotal HK$'000	Construction services HK$'000	Retail HK$'000	Subtotal HK$'000	Consolidated HK$'000
Revenue							
Turnover	57,753	3,811	61,564	25,047	105,345	130,392	191,956
Other revenue	3	2	5	7	433	440	445
Total revenue	57,756	3,813	61,569	25,054	105,778	130,832	192,401
Results							
Segment results	28,158	(605)	27,553	85	6,194	6,279	33,832
Unallocated corporate income							4,214
Unallocated corporate expenses							(7,547)
Amortisation of goodwill							(211)
Profit from operations							30,288
Finance costs							(322)
Profit before taxation							29,966
Taxation							(642)
Profit for the year							29,324
Minority interests							(13,882)
Profit attributable to equity holders of the Company							15,442
Balance sheet							
Assets							
Segment assets	100,469	1,007	101,476	–	–	–	101,476
Unallocated assets			36,073				36,073
Consolidated total assets			137,549				137,549
Liabilities							
Segment liabilities	35,825	138	35,963	–	–	–	35,963
Unallocated liabilities			3,673				3,673
Consolidated total liabilities			39,636				39,636

7. SEGMENT INFORMATION (Continued)

a) *Business segments (Continued)*

Group (Continued)

	For the year ended 30 September 2004 (Restated)							
	Continuing operations				Discontinued operations			
	Cruise leasing and management HK$'000	Travel HK$'000	Unallocated HK$'000	Subtotal HK$'000	Construction services HK$'000	Retail HK$'000	Subtotal HK$'000	Consolidated HK$'000
Other 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

b) *Geographical segments*

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

	For the year ended 30 September 2005			
	Continuing operations			
	South China Sea, other than in Hong Kong HK$'000	Hong Kong HK$'000	Macau HK$'000	Consolidated HK$'000
Segment revenue:				
Turnover	95,382	5,523	–	100,905
Segment results	43,413	(732)	(57)	42,624
Segment assets	184,491	188,044	339,559	712,094
Capital expenditure	397	344	–	741

7. SEGMENT INFORMATION (Continued)

b) *Geographical segments (Continued)*

	For the year ended 30 September 2004 (Restated)					
	Continuing operations				Discontinued operations	
	South China Sea, other than in Hong Kong HK$'000	Hong Kong HK$'000	Macau HK$'000	Subtotal HK$'000	Hong Kong HK$'000	Consolidated HK$'000
Segment revenue:						
Turnover	57,753	3,811	–	61,564	130,392	191,956
Segment results	28,158	(605)	–	27,553	6,279	33,832
Segment assets	100,469	33,609	3,471	137,549	–	137,549
Capital expenditure	96,062	402	–	96,464	86	96,550

8. TURNOVER AND OTHER REVENUE

The analysis of the Group's turnover and other revenue are as follows:

	Continuing operations		Discontinued operations		Consolidated	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
Turnover						
Cruise leasing and management fee income	**95,382**	57,753	**–**	–	**95,382**	57,753
Travel agent service fee income	**5,523**	3,811	**–**	–	**5,523**	3,811
Construction, equipment rental and services income	**–**	–	**–**	25,047	**–**	25,047
Retail business	**–**	–	**–**	105,345	**–**	105,345
	100,905	61,564	**–**	130,392	**100,905**	191,956
Other revenue						
Commission income	**34**	1	**–**	–	**34**	1
Dividend from available-for- sale investment	**1,133**	–	**–**	–	**1,133**	–
Forfeiture of dividends	**–**	87	**–**	–	**–**	87
Interest income	**4,420**	171	**–**	7	**4,420**	178
Rental income	**–**	–	**–**	82	**–**	82
Waiver of promissory note	**–**	119	**–**	–	**–**	119
Written back of amortisation of goodwill	**66**	–	**–**	–	**66**	–
Written back of provision for litigation	**–**	2,075	**–**	–	**–**	2,075
Written off of trade and other payables	**–**	1,766	**–**	–	**–**	1,766
Others	**206**	–	**–**	351	**206**	351
	5,859	4,219	**–**	440	**5,859**	4,659