
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Macau Success Limited, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of Macau Success Limited.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



MACAU SUCCESS LIMITED

澳門實德有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0487)

**MAJOR TRANSACTION INVOLVING ACQUISITION OF
12.25% EQUITY INTEREST IN AND THE RELATED LOAN TO
PIER 16 – PROPERTY DEVELOPMENT LIMITED
AND
POSSIBLE PROVISION OF SHAREHOLDER’S LOAN TO
PIER 16 – PROPERTY DEVELOPMENT LIMITED**

Financial adviser to Macau Success Limited

VINCO  **城高**

Grand Vinco Capital Limited

A notice convening a special general meeting of Macau Success Limited to be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 15 February 2007 at 2:30 p.m. is set out on pages 126 to 128 of this circular. A form of proxy for use at the meeting is enclosed. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof should you so wish.

29 January 2007

* For identification purpose only

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	
INTRODUCTION	5
THE AGREEMENT	6
CHANGE IN SHAREHOLDING STRUCTURE OF THE COMPANY	9
MANAGEMENT DISCUSSION AND ANALYSIS	10
INFORMATION ON PONTE 16	13
REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT	13
FINANCIAL EFFECT OF THE TRANSACTIONS	15
FINANCIAL AND TRADING PROSPECTS OF THE GROUP	15
IMPLICATIONS UNDER THE LAWS OF HONG KONG AND THE LISTING RULES	16
ADDITIONAL INFORMATION	17
APPENDIX I – FINANCIAL INFORMATION ON THE GROUP	18
APPENDIX II – ACCOUNTANTS’ REPORT ON PIER 16 – PROPERTY DEVELOPMENT	72
APPENDIX III – UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP	104
APPENDIX IV – PROPERTY VALUATION	110
APPENDIX V – GENERAL INFORMATION	116
NOTICE OF SGM	126

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

Expression	Meaning
“Agreement”	the conditional sale and purchase agreement dated 30 November 2006 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Shares and the Sale Loan
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and other general holidays in Hong Kong) on which licensed banks in Hong Kong are generally open for business
“Company”	Macau Success Limited (Stock Code: 0487), a company incorporated in Bermuda with limited liability whose issued shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares and the assignment of the Sale Loan in accordance with the terms of the Agreement
“Completion Date”	the third Business Day after the fulfilment of all the conditions set out in the Agreement or such other date as the Vendor and the Purchaser may agree in writing on which Completion shall take place
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Consideration”	HK\$200 million, being the aggregate consideration for the Sale Shares and the Sale Loan
“Consideration Shares”	60,000,000 Shares to be allotted and issued to the Vendor as fully paid at an agreed issued price of HK\$0.80 per Share upon Completion
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Enlarged Group”	the Group as enlarged by the acquisition of the Sale Shares and the Sale Loan
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(-ies)”	a person(s) or company(-ies), together with those whose or which ultimate beneficial owner(s), to the best of the Directors’ knowledge and information, having made all reasonable enquiries, is/are independent of and not connected with the Company, the directors, chief executive, or substantial shareholders of any member of the Group or any of their respective associates
“Individual Visit Scheme”	the scheme which allow travelers from the PRC to visit Hong Kong and Macau on an individual basis, which has been started on 28 July 2003
“Land Parcel”	the land parcel located at between Pier No.12A to 20 of the Inner Harbour of Macau with a site area of approximately 23,066 square metres
“Last Trading Day”	30 November 2006, being the last trading day of the Shares on the Stock Exchange prior to its suspension of trading at 9:30 a.m. on 1 December 2006 pending the release of the announcement of the Company published on 7 December 2006 relating to the Transactions
“Latest Practicable Date”	25 January 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	28 February 2007 or such other date as the Vendor and the Purchaser may agree in writing
“Macau”	Macau Special Administrative Region of the PRC

DEFINITIONS

“Pier 16 Group”	Pier 16 – Property Development and its subsidiaries
“Pier 16 – Property Development”	Pier 16 – Property Development Limited, a company incorporated under the laws of Macau with limited liability
“Ponte 16”	a proposed theme park construction project on the Land Parcel being developed by Pier 16 – Property Development
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Property Valuation”	the property valuation of the Land Parcel as at 31 December 2006 prepared by Savills
“Purchaser”	World Fortune Limited, a company incorporated in Hong Kong with limited liability which is an indirect wholly-owned subsidiary of the Company and owned 36.75% of the entire issued share capital of Pier 16 – Property Development as at the Latest Practicable Date
“Sale Loan”	HK\$28,995,000, being the entire amount of the interest free shareholder’s loan owing from Pier 16 – Property Development to the Vendor as at Completion
“Sale Shares”	12,250 shares of MOP100 each in the share capital of Pier 16 – Property Development, representing 12.25% of its entire issued share capital beneficially owned by the Vendor as at the Latest Practicable Date
“Savills”	Savills Valuation and Professional Services Limited, a professional property valuer which is an Independent Third Party
“SFO”	the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong
“SGM”	the special general meeting of the Company to be held for the purpose of considering and, if thought fit, approving the Transactions

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“SJM”	Sociedade de Jogos de Macau, S.A., a company incorporated under the laws of Macau and an Independent Third Party
“SJM-Investimentos”	SJM-Investimentos Limitada, a company incorporated under the laws of Macau with limited liability which is a wholly-owned subsidiary of SJM and the owner of 51% of the entire issued share capital of Pier 16 – Property Development as at the Latest Practicable Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the purchase of the Sale Shares and the acceptance of the assignment of the Sale Loan by the Purchaser pursuant to the Agreement and the possible provision of additional shareholder’s loan by the Purchaser to Pier 16 – Property Development as a result of Completion
“Vendor”	Joy Idea Investments Limited, a company incorporated in the British Virgin Islands with limited liability and owned 12.25% of the entire share capital of Pier 16 – Property Development as at the Latest Practicable Date
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“MOP”	Macau Pataca, the lawful currency of Macau
“%”	per cent

Unless otherwise stated, amounts denominated in MOP have been translated in HK\$ in this circular at a rate of MOP1.03 = HK\$1.00. No representation is made that any amounts in MOP and HK\$ can be or could have been converted at such rate or any other rate or at all.

The contents of the Company’s website will not form part of this circular. The Directors are not responsible for the accuracy or completeness of the information of third parties included in this circular.

LETTER FROM THE BOARD



MACAU SUCCESS LIMITED

澳門實德有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0487)

Executive Directors:

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

Mr. Lee Siu Cheung

Non-executive Director:

Mr. Choi Kin Pui, Russelle

Independent non-executive Directors:

Mr. Luk Ka Yee, Patrick

Mr. Yim Kai Pung

Ms. Yeung Mo Sheung, Ann

Registered office:

Clarendon House

2 Church Street

Hamilton, HM 11

Bermuda

*Head office and principal place
of business in Hong Kong:*

Units 1002 – 05A, 10th Floor

West Tower, Shun Tak Centre

200 Connaught Road Central

Hong Kong

29 January 2007

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION INVOLVING ACQUISITION OF
12.25% EQUITY INTEREST IN AND THE RELATED LOAN TO
PIER 16 – PROPERTY DEVELOPMENT LIMITED
AND
POSSIBLE PROVISION OF SHAREHOLDER’S LOAN TO
PIER 16 – PROPERTY DEVELOPMENT LIMITED**

INTRODUCTION

It was announced by the Company on 7 December 2006 that the Agreement was entered into between the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor, pursuant to which the Vendor had conditionally agreed to sell and the Purchaser had conditionally agreed to purchase the Sale Shares and the Sale Loan at an aggregate consideration of HK\$200 million subject to and upon the terms and conditions of the Agreement.

* For identification purpose only

LETTER FROM THE BOARD

As at the date of this circular, Pier 16 – Property Development is owned as to 51.00%, 36.75% and 12.25% by SJM-Investmentos, the Purchaser and the Vendor respectively. Immediately after Completion, Pier 16 – Property Development will be owned as to 51.00% and 49.00% by SJM-Investmentos and the Purchaser respectively and Pier 16 – Property Development will remain as an associated company of the Company.

The purpose of this circular is to provide you with further information regarding, among other things, further details about the Agreement and the transactions contemplated thereunder and the possible provision of additional shareholder's loans by the Purchaser to Pier 16 – Property Development, the financial information on the Group, the accountants' report on Pier 16 – Property Development, the unaudited pro forma financial information on the Enlarged Group, the Property Valuation and the notice of the SGM.

THE AGREEMENT

Date: 30 November 2006

Parties:

Vendor: Joy Idea Investments Limited, an investment holding company incorporated in the British Virgin Islands with limited liability

As at the Latest Practicable Date, the Vendor was interested in 12.25% of the entire issued share capital of Pier 16 – Property Development and owned approximately 5.61% of the entire issued share capital of the Company. Pursuant to Rule 14A.11 of the Listing Rules, and based on the best of the Directors' knowledge and information, the Vendor and its ultimate beneficial owners are Independent Third Parties and not regarded as connected persons of the Company.

Purchaser: World Fortune Limited, an indirect wholly-owned subsidiary of the Company

Assets to be acquired by the Purchaser

- (i) 12,250 shares of MOP100 (equivalent to approximately HK\$97.09) each in the issued share capital of Pier 16 – Property Development, representing 12.25% of the entire issued share capital of Pier 16 – Property Development as at the Latest Practicable Date; and
- (ii) shareholder's loan of approximately HK\$28.99 million owing by Pier 16 – Property Development to the Vendor.

LETTER FROM THE BOARD

Consideration

The Consideration of HK\$200 million will be paid upon Completion, as to HK\$152 million in cash from the Company's internal resources and as to HK\$48 million by the allotment and issue of the Consideration Shares (being 60,000,000 Shares at an agreed issued price of HK\$0.80 per Share, representing approximately 2.80% of the entire issued share capital of the Company as at the Latest Practicable Date and approximately 2.73% of the entire issued share capital of the Company as enlarged by the issue of the Consideration Shares).

The agreed issued price of HK\$0.80 per Consideration Share represents:

- (a) a premium of approximately 9.59% over the closing price of HK\$0.73 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 8.11% over the average closing price of approximately HK\$0.74 per Share as quoted on the Stock Exchange for the 5 trading days prior to and including the Last Trading Day;
- (c) a premium of approximately 6.67% over the average closing price of approximately HK\$0.75 per Share as quoted on the Stock Exchange for the 10 trading days prior to and including the Last Trading Day; and
- (d) a premium of approximately 23.08% over the average closing price of approximately HK\$0.65 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Consideration Shares will be allotted and issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 28 February 2006. The Consideration Shares to be issued upon Completion shall be credited as fully paid up and shall rank pari passu among themselves and as the same class with all other Shares in issue on the Completion Date and shall carry the right to receive in full all dividends and other distributions declared, made or paid after allotment. Following the issue of the Consideration Shares, the Vendor will hold an aggregate of 180,000,000 Shares, representing approximately 8.18% of the entire issued share capital of the Company as enlarged by such issue based on the issued share capital of the Company as at the Latest Practicable Date, and therefore it will not become a substantial Shareholder under the definition of the Listing Rules. In addition, the Vendor will not nominate any Director to the Board.

LETTER FROM THE BOARD

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser with reference to, inter alia, the Property Valuation. The market value of the Land Parcel as at 31 December 2006 as valued by Savills by employing comparison method was estimated to be HK\$1,750 million.

The Directors consider that the Consideration is fair and reasonable after taking into account (i) the Property Valuation; (ii) the potential prospects of the hotel and gaming businesses in Macau; and (iii) the potential enhancing and strengthening of the synergic effect between the Group's existing cruise and travel agency businesses and the hotel and gaming businesses of Ponte 16 as explained in the paragraph headed "Information on Ponte 16" below.

Conditions precedent

Completion is conditional upon:

- (a) the passing of an ordinary resolution by the Shareholders at the SGM approving the entering into of the Agreement, the performance of the transactions contemplated under the Agreement by the Purchaser and the Company and the possible provision of additional shareholder's loan by the Purchaser to Pier 16 – Property Development as a result of Completion;
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares; and
- (c) all necessary consents and approvals (or waivers) having been obtained by the Vendor and the Purchaser for completion of the transactions contemplated under the Agreement.

None of the above conditions can be waived by the Vendor or the Purchaser. According to the articles of association of Pier 16 – Property Development, no consent from SJM-Investmentos is required for the transfer of the Sale Shares and the assignment of the Sale Loan by the Vendor to the Purchaser.

The Vendor shall use its reasonable endeavours to procure that the above condition (c) (in so far as obtaining consents and approvals (or waivers) by the Vendor is concerned) shall be fulfilled by the Long Stop Date. The Purchaser shall use its reasonable endeavours to procure the holding of the SGM for the purpose of fulfilling the above condition (a) and to ensure that the above conditions (b) and (c) (in so far as obtaining consents and approvals (or waivers) by the Purchaser is concerned) shall be fulfilled by the Long Stop Date.

LETTER FROM THE BOARD

If any of the above conditions has not been fulfilled by the Long Stop Date, either the Vendor or the Purchaser may terminate this Agreement by giving written notice to the other whereupon the provisions of the Agreement shall have no further force and effect and neither the Vendor nor the Purchaser shall have any liability thereunder (without prejudice to the rights of each of them in respect of any antecedent breaches).

Completion

Completion shall take place on the third Business Day after fulfilment of all the above conditions or such other date as the Vendor and the Purchaser may agree in writing. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Fund raising for the past 12 months

Save for the placing of 235,000,000 new Shares undertaken by the Company in April 2006 which generated the net proceeds of approximately HK\$252 million for general working capital of the Group, the Company had not conducted any fund raising activity in the 12 months period prior to the Latest Practicable Date.

CHANGE IN SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the summary of the change in shareholding structure of the Company as a result of Completion:

	Shareholding immediately before Completion		Shareholding immediately after Completion	
	<i>No. of Shares</i>	<i>Approximate percentage of shareholding %</i>	<i>No. of Shares</i>	<i>Approximate percentage of shareholding %</i>
Silver Rich Macau				
Development Limited	987,841,432	46.17	987,841,432	44.91
Vendor	120,000,000	5.61	180,000,000	8.18
Public	1,031,622,801	48.22	1,031,622,801	46.91
	<u>2,139,464,233</u>	<u>100.00</u>	<u>2,199,464,233</u>	<u>100.00</u>

LETTER FROM THE BOARD

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial information

Pier 16 – Property Development is a company incorporated under the laws of Macau with limited liability and is principally engaged in investment, development and operation of Ponte 16. Further information on Ponte 16 is set out in the section headed “Information on Ponte 16” below.

As at the Latest Practicable Date, Pier 16 – Property Development was owned as to 51.00%, 36.75% and 12.25% by SJM-Investmentos, the Purchaser and the Vendor respectively. Immediately after Completion, Pier 16 – Property Development will be owned as to 51.00% and 49.00% by SJM-Investmentos and the Purchaser respectively and Pier 16 – Property Development will remain as an associated company of the Company. To the best of the knowledge and information of the Directors, and having made all reasonable enquires, SJM-Investmentos and its ultimate beneficial owner(s) are Independent Third Parties and not connected with the Group and its connected persons.

Based on the audited consolidated financial statements of Pier 16 – Property Development prepared in accordance with the generally accepted accounting principles in Hong Kong, (i) the net loss after taxation for the 11-month period ended 31 December 2004, the year ended 31 December 2005 and the 9-month period ended 30 September 2006 amounted to approximately MOP0.10 million (equivalent to approximately HK\$0.10 million), MOP0.14 million (equivalent to approximately HK\$0.14 million) and MOP0.97 million (equivalent to approximately HK\$0.94 million) respectively; and (ii) the net asset value amounted to approximately MOP9.91 million (equivalent to approximately HK\$9.62 million), MOP9.77 million (equivalent to approximately HK\$9.49 million) and MOP8.80 million (equivalent to approximately HK\$8.54 million) as at 31 December 2004, 31 December 2005 and 30 September 2006 respectively. Pier 16 – Property Development had recorded losses for the past 2 years. Ponte 16, which is under development, is the only project in hand of Pier 16 – Property Development. The increase in loss for the year ended 31 December 2005 was mainly attributable to the staff cost incurred for recruitment and marketing cost for promotion events and payment of land premium to the Government of Macau.

Your attention is drawn to the accountants’ report on Pier 16 – Property Development (the “Accountants’ Report”) as set out in Appendix II to this circular. The Accountants’ Report for the period from 20 February 2004 to 31 December 2005 and the nine months ended 30 September 2006 respectively has been prepared. However, as this circular is issued shortly after 31 December 2006, the Accountants’ Report has not been prepared for the full year ended 31 December 2006 as it would be unduly burdensome for the Company and its reporting accountants to produce the Accountants’ Report for the year ended 31 December 2006 in this circular within a very short period of time. In addition, the date of the Accountants’ Report, being 30 September 2006, is within 6 months before the date of this circular. Moreover, the Pier 16 Group will not become a subsidiary of the Company after Completion.

LETTER FROM THE BOARD

The Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 4.06 of the Listing Rules on the ground as mentioned above. **The Directors confirm that they have performed sufficient due diligence on the Pier 16 Group to ensure that, up to the date of this circular, there has been no material adverse change in the financial position or prospects of the Pier 16 Group since 30 September 2006 and there is no event since 30 September 2006 which will materially affect the information contained in the Accountants' Report set out in Appendix II to this circular.**

The total expected investment amount to be made by Pier 16 – Property Development for the development of Ponte 16 is approximately HK\$2.43 billion which is intended to be financed by external loans to be arranged by Pier 16 – Property Development. As at the Latest Practicable Date, Pier 16 – Property Development had already contributed approximately HK\$385.86 million which was paid as mutually agreed among its shareholders as to approximately HK\$207.41 million by SJM-Investmentos, as to approximately HK\$149.46 million by the Purchaser and as to approximately HK\$28.99 million by the Vendor. As the total investment amount should, in principle, be financed by the shareholders of Pier 16 – Property Development in proportion to their respective shareholdings if no external loans can be arranged, an amount of approximately HK\$20.83 million, being the Vendor's pro rata sharing of shareholder's loan to Pier 16 – Property Development, remains outstanding from the Vendor. Assuming no external loans can be borrowed by Pier 16 – Property Development, the maximum total outstanding investment amount required to be financed by its shareholders will be approximately HK\$2.04 billion. As such, upon Completion, the Purchaser may have to provide further shareholder's loan in a maximum amount of approximately HK\$1.01 billion as its pro rata sharing of 49% in Pier 16 – Property Development and the absorption of the outstanding amount of approximately HK\$20.83 million owing by the Vendor to Pier 16 – Property Development. In other words, by entering into the Agreement, the potential commitment of the Purchaser would be increased by an amount of approximately HK\$268.69 million.

Board composition

As at the Latest Practicable Date, the board of directors of Pier 16 – Property Development consisted of five directors, of which three were nominated by SJM-Investmentos and two were nominated by the Purchaser. Mr. Yeung Hoi Sing, Sonny, the Chairman of the Company, and Mr. Lee Siu Cheung, an executive Director, have been appointed as the directors of Pier 16 – Property Development. It is expected that there will not be any change to the board composition immediately after Completion.

LETTER FROM THE BOARD

Liquidity, financial resources and capital structure

As at 30 September 2006, Pier 16 Group has total consolidated assets of approximately MOP330,419,000 (31 December 2005: approximately MOP198,222,000; 31 December 2004: approximately MOP79,468,000), including net consolidated cash and bank balances of approximately MOP8,415,000 (31 December 2005: approximately MOP64,134,000; 31 December 2004: MOP Nil). There was no assets pledged to financial institutions for the Pier 16 Group as at 31 December 2004, 31 December 2005 and 30 September 2006.

As at 30 September 2006, Pier 16 Group's total financial borrowings were obligations under finance leases and denominated in Macau Pataca. Pier 16 Group had total consolidated financial borrowings of approximately MOP122,000 (31 December 2005: approximately MOP77,000; 31 December 2004: MOP Nil). Of the total consolidated financial borrowings, approximately MOP39,000 (31 December 2005: approximately MOP25,000; 31 December 2004: MOP Nil) is repayable within one year or on demand, while approximately MOP83,000 (31 December 2005: approximately MOP52,000; 31 December 2004: MOP Nil) is repayable after one year.

Contingent liabilities

Pier 16 Group did not have any contingent liabilities as at 31 December 2004, 31 December 2005 and 30 September 2006.

Commitments

As at 30 September 2006, Pier 16 Group was committed to capital expenditure authorised but not contracted for of approximately MOP1,139,842,000 (31 December 2005: approximately MOP2,051,904,000; 31 December 2004: MOP Nil) in respect of properties under development.

As at 30 September 2006, Pier 16 Group was committed to capital expenditure contracted but not provided for of approximately MOP942,258,000 (31 December 2005: approximately MOP153,492,000; 31 December 2004: approximately MOP7,313,000) in respect of properties under development.

Significant investments and acquisitions

During the year ended 31 December 2004 and 2005 and nine months period ended 30 September 2006, Pier 16 Group did not have any significant investments or acquisitions.

LETTER FROM THE BOARD

INFORMATION ON PONTE 16

Ponte 16 is a proposed theme park construction project being developed by Pier 16 – Property Development. Ponte 16 will include a luxury hotel with 404 exquisitely equipped luxury guestrooms and 19 VIP mansions, a casino with 174 gambling tables, 300 slot machines, shopping arcades, a cultural space and car parks, with an aggregate gross floor area amounts to approximately 126,500 square metres. Subject to the approval of the Government of Macau, the casino will be operated and managed by SJM. The first phase of Ponte 16, which will include the casino, is expected to be completed by June 2007 and the whole of Ponte 16 is expected to be completed by the end of March 2008 with expected total investment amounting to approximately HK\$2.43 billion.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

The Company is an investment holding company. The Group is principally engaged in the cruise leasing and management and other tourist-related businesses. The cruise leasing and management contributed approximately 92.45% of the total turnover of the Company for the year ended 30 September 2006.

The established strategies of the Group have been stated in the annual report of the Company for the year ended 30 September 2004. The Group intends to develop and strengthen tourist-related business including further development of hotel and gaming businesses in Macau. The Group foresees a positive market in Macau and is keen to identify investment opportunities in Macau for the following reasons:

- i. According to the Gross Domestic Product (“GDP”) data published by the Government of Macau, the GDP of Macau was approximately MOP63.5 billion, MOP82.9 billion and MOP92.6 billion for the years 2003, 2004 and 2005 respectively and the respective growth rate was 16%, 30.4% and 11.7%. For the first 3 quarters in year 2006, the GDP of Macau was approximately MOP79.4 billion, representing approximately 21.2% growth from relevant period in last year. The Directors are of the view that the economic environment in Macau is considered to be prosperous for the past years, and they consider Macau economy will continue with the high growth rate;
- ii. The Government of Macau has been directing clearly on the development of the tourist industry, as well as gaming industry. The tourist related, especially hotel, gaming, and other tourist-related industries, will provide a promising prospects for investors; and

LETTER FROM THE BOARD

- iii. The Individual Visit Scheme has provided Macau with large pool of potential visitors from the PRC. According to the data published by the Government of Macau, out of 18,711,200 visitors in 2005, 10,463,000 were from the PRC (representing approximately 55.9%). In 2006, there were approximately 21,998,100 visitors in total, out of which approximately 11,985,600 were from the PRC (representing approximately 54.5%). Together with the liberalization of gaming industry in Macau, Macau is poised to become a gaming and leisure destination of choice for the PRC and south-eastern Asia population.

SJM-Investmentos, the Purchaser and the Vendor set up Pier 16 – Property Development in February 2004 with a total capital of MOP10 million (equivalent to approximately HK\$9.71 million) with 80%, 10% and 10% equity interests respectively. As referred to in the announcement dated 9 November 2004 and the circular dated 26 November 2004 both issued by the Company, each of the Purchaser and the Vendor acquired an additional 14.5% equity interests in Pier 16 – Property Development from SJM-Investmentos for a consideration of MOP1.45 million (equivalent to approximately HK\$1.41 million), which was equal to the original capital contribution by SJM-Investmentos in respect of the 14.5% equity interests in Pier 16 – Property Development. As referred to in the announcement dated 19 May 2005 and the circular dated 21 June 2005 both issued by the Company, the Purchaser acquired an additional 12.25% equity interests in, and accepted an assignment of a sale loan to, Pier 16 – Property Development from the Vendor for an aggregate consideration of HK\$99.25 million which was based on the valuation of the Land Parcel of HK\$890 million as at 6 May 2005.

Because of the recent strong economic growth in Macau, the valuation of the Land Parcel has been adjusted upward from HK\$890 million as at 6 May 2005 to HK\$1,750 million as at 31 December 2006 as valued by Savills and the 12.25% interest in the Land Parcel represents approximately HK\$214 million, let alone the value of the Sale Loan. Accordingly, the Directors are of the view that the Consideration of HK\$200 million for the Sale Shares and the Sale Loan is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Directors consider that the Transactions will enable the Group to increase participation and investment in the hotel and gaming businesses in Macau which have good potential business environment, and in return to provide a better return to the Shareholders. In addition, it will create the synergic effect on the Company's existing tourist-related business. Given the strong potential of Macau market, the Directors are also of the view that the terms of the Agreement are fair and reasonable and the entering into of the Agreement and the possible provision of additional shareholder's loan by the Purchaser to Pier 16 – Property Development are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

FINANCIAL EFFECT OF THE TRANSACTIONS

Net assets

The audited consolidated net asset value of the Group as at 30 September 2006 as extracted from the annual report of the Company for the year ended 30 September 2006 was approximately HK\$966,920,000.

As set out in Appendix III to this circular, assuming Completion had taken place on 30 September 2006, the proforma net assets of the Enlarged Group would have been increased to approximately HK\$1,014,920,000. Therefore, the proposed acquisition of the Sale Shares and the Sale Loan will increase the Group's net assets position.

Earnings

Upon Completion, the loss incurred in Pier 16 – Property Development before Completion will be accounted for pre-acquisition profit in the financial statements of the Group which shall not have any effect on the earnings of the Group.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group has focused on tourist-related business and cruise leasing and management as its core businesses. The Directors foresee a very positive market in Macau and are keen to identify suitable investment opportunities for further development. The Directors consider that the gaming industry is the leading industry and the driving force for the development of other industries in Macau and constitutes an indispensable part of the history of Macau. Given the clear strategies established by the Government of Macau to continuously developing Macau as a tourist, gaming, international MICE (Meetings, Incentives, Conferences, Exhibitions) and leisure destination, the prospects for the gaming industry and related industries in Macau are promising.

The Group is optimistic about the outlook of its gaming-related travel business. The Group intends to provide one-stop service for customers who look for an array of cruise holiday packages, hotel reservation and ticketing services for overseas destinations. The Group works closely with travel agencies in the United States of America and Canada in order to widen its customer base and establish a good reputation thereon. In view of the above positive operating environment in Macau, the Group had acquired Travel Success (Macau) Limited (formerly known as World Travel Agency Limited), a company incorporated in Macau, in October 2004 to further expand its travel related business.

LETTER FROM THE BOARD

The Group's cruise business via M.V. Macau Success will continue to target high-income clients who shop around for the super-luxurious cruise experience. M.V. Macau Success has a gross tonnage of 9,848 tons and a total of 224 fully air-conditioned passenger cabins. It currently takes up passengers in Hong Kong and provides various on-board cruise entertainment, services and amenities, such as casino, slot machines, restaurants, bars, karaoke, mahjong, beauty salons and massage facilities. The karaoke lounge has been refurnished recently and a new casino for super VIP's has been launched on board. The top quality facilities provided by M.V. Macau Success will continue to capture the luxurious market segment with high spending power.

As part of the corporate strategy, the Group had increased its interest in Pier 16 – Property Development from 10% to 24.5% in November 2004 and further increased to 36.75% in July 2005. It is proposed to further increase to 49% pursuant to the Agreement. This allows the Group to increase its participation in the hotel business with gaming entertainment in Ponte 16, Macau, and would provide synergistic effects for the Group's existing cruise and travel agency businesses.

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

IMPLICATIONS UNDER THE LAWS OF HONG KONG AND THE LISTING RULES

Reference is made to the guidelines issued by the Stock Exchange in relation to "Gambling Activities undertaken by listing applicants and/or listed issuers" dated 11 March 2003 (the "Guidelines"). Under the Guidelines, if the Group is directly or indirectly engaged in gambling activities, the Group should ensure that the operation of such gambling activities should comply with the applicable laws in the areas where such activities operate and/or not contravene the Gambling Ordinance (Chapter 148 of the Laws of Hong Kong) (the "Gambling Ordinance"). Should such operation (i) fail to comply with the applicable laws in the areas where such activities operate and/or (ii) contravene the Gambling Ordinance, the Company or its business may be considered unsuitable for listing under Rule 8.04 of the Listing Rules and the Stock Exchange may direct the Company to take remedial action, and/or may suspend dealings in, or may cancel the listing of, the Shares on the Stock Exchange. The Company will use its best endeavours to procure that the operation of the gambling activities at the casino by SJM must, throughout the holding of the investment in Pier 16 – Property Development by the Company, (i) comply with the applicable laws in the areas where such activities operate; and/or (ii) not contravene the Gambling Ordinance. As the casino will be operated and managed by SJM, SJM will ensure that the operation of the gambling activities will be lawful and in compliance with all applicable laws and regulations. The two directors of Pier 16 – Property Development nominated by the Purchaser will use their best endeavours to exercise their power as directors to oversee the operation of gambling activities at the casino by SJM so as to ensure that such gambling activities are in compliance with the applicable laws in Macau and do not contravene the Gambling Ordinance and, if necessary, they will procure Pier 16 – Property Development to consult and seek advice from professional advisers in the relevant jurisdictions on such compliance. The Directors note that there will be a risk of suspension or cancellation of listing of Shares on the Stock Exchange should there be any breach of such legal requirement.

LETTER FROM THE BOARD

Pursuant to Rule 14.08 of the Listing Rules, the Transactions constitute a major transaction for the Company and are therefore subject to approval by the Shareholders. The Company is required to convene the SGM to seek approval for the Transactions. As at the Latest Practicable Date, the Vendor owned approximately 5.61% of the entire issued share capital of the Company before Completion. Pursuant to Rule 14A.11 of the Listing Rules, and based on the best of the Directors' knowledge and information, the Vendor and its ultimate beneficial owners are Independent Third Parties and not regarded as connected persons of the Company. Nevertheless, the Vendor and its associates are required to abstain from voting on the proposed resolution regarding the Transactions to be taken by poll at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
MACAU SUCCESS LIMITED
Lee Siu Cheung
Executive Director

1. SUMMARY OF AUDITED FINANCIAL INFORMATION

Summary of the audited consolidated results of the Group for the three years ended 30 September 2006 (extracted from the 2006, 2005 and 2004 annual reports of the Company) is set out below:

	For the year ended 30 September		
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000
Results			
Turnover	103,530	100,905	191,956
Cost of sales	(7,871)	(6,520)	(68,089)
Gross profit	95,659	94,385	123,867
Other revenue	24,983	5,859	4,659
Administrative expenses	120,642 (71,725)	100,244 (68,352)	128,526 (49,062)
Selling expenses	–	–	(55,315)
Other operating expenses, net	–	–	(211)
Gain on disposal of subsidiaries	–	–	10
Waiver of other loan	–	–	4,036
Gain on disposal of discontinued operations	–	–	2,304
Profit from operations	48,917	31,892	30,288
Finance costs	–	(97)	(322)
Share of results of associates	(386)	(12)	–
Profit before taxation	48,531	31,783	29,966
Taxation	(372)	–	(642)
Profit for the year	48,159	31,783	29,324
Attributable to:			
Equity shareholders of the Company	28,380	12,291	15,442
Minority interests	19,779	19,492	13,882
Profit for the year	48,159	31,783	29,324
Dividend payable to equity shareholders of the Company attributable to the year: Interim dividend declared during the year	3,209	–	–
Earnings per share			
Basic	HK1.41 cents	HK0.66 cents	HK0.98 cents
Diluted	N/A	N/A	N/A
Assets and Liabilities			
Total assets	978,395	712,094	137,549
Total liabilities	(11,475)	(31,360)	(39,636)
Minority interests	(40,304)	(31,235)	(11,743)
Shareholders' fund	926,616	649,499	86,170

2. AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006

Set out below is a reproduction of the text of the audited financial statements of the Group together with the accompanying notes contained on the annual report of the Company for the year ended 30 September 2006:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2006

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Turnover	6	103,530	100,905
Cost of sales		<u>(7,871)</u>	<u>(6,520)</u>
Gross profit		95,659	94,385
Other revenue	7	<u>24,983</u>	<u>5,859</u>
		120,642	100,244
Administrative expenses		<u>(71,725)</u>	<u>(68,352)</u>
Profit from operations		48,917	31,892
Finance costs	8	–	(97)
Share of results of associates		<u>(386)</u>	<u>(12)</u>
Profit before taxation	8	48,531	31,783
Taxation	9	<u>(372)</u>	<u>–</u>
Profit for the year		<u><u>48,159</u></u>	<u><u>31,783</u></u>
Attributable to:			
Equity shareholders of the Company	12	28,380	12,291
Minority interests		<u>19,779</u>	<u>19,492</u>
Profit for the year		<u><u>48,159</u></u>	<u><u>31,783</u></u>
Dividend payable to equity shareholders of the Company attributable to the year:			
Interim dividend declared during the year	13	<u>3,209</u>	<u>–</u>
Earnings per share	14		
Basic		<u>HK1.41 cents</u>	<u>HK0.66 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****CONSOLIDATED BALANCE SHEET**

AT 30 SEPTEMBER 2006

		2006	2005
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	15	91,536	90,247
Goodwill	16	1,313	1,313
Interest in associates	18	376,015	339,042
Available-for-sale investment	19	25,239	25,239
Loan receivable	20	–	51,562
		494,103	507,403
CURRENT ASSETS			
Inventories	21	1,178	1,181
Trade and other receivables	22	13,509	12,837
Pledged bank deposits		729	708
Cash and cash equivalents		468,876	189,965
		484,292	204,691
CURRENT LIABILITIES			
Trade and other payables	23	6,047	5,152
Tax payable		157	–
		6,204	5,152
NET CURRENT ASSETS			
		478,088	199,539
TOTAL ASSETS LESS CURRENT LIABILITIES			
		972,191	706,942
NON-CURRENT LIABILITIES			
Loans from minority shareholders	24	5,056	26,208
Deferred tax liabilities	25	215	–
		5,271	26,208
NET ASSETS			
		966,920	680,734
CAPITAL AND RESERVES			
Share capital	26	21,395	19,045
Reserves	28	905,221	630,454
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY			
		926,616	649,499
MINORITY INTERESTS	28	40,304	31,235
TOTAL EQUITY			
		966,920	680,734

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****BALANCE SHEET**

AT 30 SEPTEMBER 2006

		2006	2005
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Interest in subsidiaries	17	274,662	300,110
CURRENT ASSETS			
Deposits, prepayments and other receivables	22	165	195
Cash and cash equivalents		428,673	150,230
		428,838	150,425
CURRENT LIABILITIES			
Other payables and accruals	23	1,940	601
		1,940	601
NET CURRENT ASSETS			
		426,898	149,824
NET ASSETS			
		701,560	449,934
CAPITAL AND RESERVES			
Share capital	26	21,395	19,045
Reserves	28	680,165	430,889
TOTAL EQUITY			
		701,560	449,934

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Distributable reserve	Capital redemption reserve	Property revaluation reserve	Retained profits	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 2004	15,875	–	54,450	976	–	14,869	86,170	11,743	97,913
Placing of new shares	3,170	402,590	–	–	–	–	405,760	–	405,760
Share issuance costs	–	(39,670)	–	–	–	–	(39,670)	–	(39,670)
Net profit for the year	–	–	–	–	–	12,291	12,291	19,492	31,783
Redomicile costs	–	–	(2,117)	–	–	–	(2,117)	–	(2,117)
Surplus on revaluation – associates	–	–	–	–	187,065	–	187,065	–	187,065
At 30 September 2005	<u>19,045</u>	<u>362,920</u>	<u>52,333</u>	<u>976</u>	<u>187,065</u>	<u>27,160</u>	<u>649,499</u>	<u>31,235</u>	<u>680,734</u>
At 1 October 2005	19,045	362,920	52,333	976	187,065	27,160	649,499	31,235	680,734
Placing of new shares	2,350	253,800	–	–	–	–	256,150	–	256,150
Share issuance costs	–	(4,204)	–	–	–	–	(4,204)	–	(4,204)
Net profit for the year	–	–	–	–	–	28,380	28,380	19,779	48,159
Interim dividend declared in respect of current year	–	–	–	–	–	(3,209)	(3,209)	(10,710)	(13,919)
At 30 September 2006	<u>21,395</u>	<u>612,516</u>	<u>52,333</u>	<u>976</u>	<u>187,065</u>	<u>52,331</u>	<u>926,616</u>	<u>40,304</u>	<u>966,920</u>

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2006

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
OPERATING ACTIVITIES			
Profit before taxation		48,531	31,783
Adjustments for:			
Interest income		(20,574)	(4,420)
Finance costs		–	97
Depreciation		7,512	6,474
Share of results of associates		386	12
Dividend from available-for-sale investments		(1,133)	(1,133)
Written back of amortisation of goodwill		–	(66)
Loss on disposal of fixed assets		2	–
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL		34,724	32,747
Decrease in inventories		3	33
Increase in trade and other receivables		(672)	(8,348)
Increase/(Decrease) in trade and other payables		895	(1,296)
CASH GENERATED FROM OPERATIONS		34,950	23,136
Tax paid		–	–
NET CASH GENERATED FROM OPERATING ACTIVITIES		34,950	23,136
INVESTING ACTIVITIES			
Payment for the purchase of fixed assets		(8,803)	(741)
Acquisition of associates		–	(100,681)
Acquisition of available-for-sale investment		–	(25,239)
Loans to associates		(37,359)	(47,837)
New loan to a related party		–	(50,000)
Repayment of loan by a related party		51,562	–
Acquisition of a subsidiary, net of cash acquired	29	–	(178)
Increase in pledged bank deposits		(21)	(508)
Interest income		20,574	2,858
Dividend from available-for-sale investment		1,133	1,133
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		27,086	(221,193)

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

	2006	2005
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
FINANCING ACTIVITIES		
Proceeds from issue of shares	256,150	405,760
Cost on issue of new shares	(4,204)	(39,670)
Redomicile costs	–	(2,117)
Repayments of loans from minority shareholders	(21,152)	(5,328)
Dividend paid to equity shareholders of the Company	(3,209)	–
Dividend paid to minority interests	(10,710)	–
Repayment of other borrowings	–	(1,652)
Finance costs	–	(97)
NET CASH GENERATED FROM FINANCING ACTIVITIES	<u>216,875</u>	<u>356,896</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	278,911	158,839
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>189,965</u>	<u>31,126</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>468,876</u></u>	<u><u>189,965</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u><u>468,876</u></u>	<u><u>189,965</u></u>

NOTES TO THE FINANCIAL STATEMENTS*FOR THE YEAR ENDED 30 SEPTEMBER 2006***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 17 to the financial statements.

2. Significant accounting policies*(a) Statement of Compliance*

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

(b) Basis of Preparation of the Financial Statements

The consolidated financial statements for the year ended 30 September 2006 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

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

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

(c) Subsidiaries and Minority Interests

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. 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.

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

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

Loans from holders of minority interest and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with note 2(1).

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

(d) Associates

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

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

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

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

(e) *Goodwill*

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

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

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

On disposal of a cash generating unit, an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) *Other Investments in Debt and Equity Securities*

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

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

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less impairment losses (*see note 2(i)*).

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

Available-for-sale investments are investments in unlisted equity securities and stated at fair value, except for those equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any accumulated identified losses.

Investment are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or they expire.

(g) Property, Plant and Equipment

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

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

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

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

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

(h) Operating Lease Charges

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

(i) *Impairment of Assets*

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

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

- For unquoted equity securities are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.
- For trade and other current receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

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

In respect of available-for-sale investments carried at cost less any accumulated impairment losses, when there is objective evidence that an impairment loss has been incurred on an investment, the carrying amount of the investment should be reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and the amount of the impairment is charged to the consolidated income statement in the year in which it arises. Impairment losses recognised shall not be reversed in subsequent periods.

(ii) Impairment of other assets

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

- property, plant and equipment
- investments in subsidiaries and associates; and
- goodwill

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

- Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(j) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost includes cost of purchase computed using the first-in, first-out formula. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(k) Trade and Other Receivables

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

(l) *Trade and Other Payables*

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

(m) *Cash and Cash Equivalents*

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

(n) *Employee Benefits*

(i) *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 administered 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.

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

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.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(o) Income Tax

Income tax 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 future taxable profits 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.

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or

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

(p) Provisions and Contingent Liabilities

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue Recognition

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 services and trade agent services are rendered.
- (iii) dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- (iv) interest income on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

(r) *Translation of Foreign Currencies*

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

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

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

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

(s) *Related Parties*

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(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.

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

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

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

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

3. Financial risk management objectives and policies

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

(a) *Interest rate risk*

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

(b) *Foreign currency risk*

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

(c) *Credit risk*

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

(d) *Liquidity risk*

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

(e) *Fair value*

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

(a) Property, plant and equipment and depreciation

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

(b) Impairment of assets

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

5. Segment reporting

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

(a) Business segment

The Group's operating business are structured and managed 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:

- Cruise leasing and management business: the leasing of cruise and the provision of management services to the cruise.
- Travel business: the provision of travel-related agency services.

Group

	Cruise leasing and management		Travel		Consolidated	
	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue						
Turnover	95,717	95,382	7,813	5,523	103,530	100,905
Other revenue	108	12	85	42	193	54
Total revenue	<u>95,825</u>	<u>95,394</u>	<u>7,898</u>	<u>5,565</u>	<u>103,723</u>	<u>100,959</u>
Results						
Segment results	<u>45,046</u>	<u>43,413</u>	<u>(459)</u>	<u>(789)</u>	44,587	42,624
Interest income					20,465	4,420
Unallocated corporate income					4,325	1,385
Unallocated corporate expenses					(20,460)	(16,537)
Profit from operations					48,917	31,892
Share of results of associates					(386)	(12)
Finance costs					–	(97)
Profit before taxation					48,531	31,783
Taxation					(372)	–
Profit for the year					48,159	31,783
Minority interests					(19,779)	(19,492)
Profit attributable to equity shareholders of the Company					<u>28,380</u>	<u>12,291</u>
Balance Sheet						
Assets						
Segment assets	106,778	131,909	1,314	924	108,092	132,833
Interest in associates					376,015	339,042
Unallocated corporate assets					494,288	240,219
Consolidated total assets					<u>978,395</u>	<u>712,094</u>
Liabilities						
Segment liabilities	9,021	28,901	231	208	9,252	29,109
Unallocated corporate liabilities					2,223	2,251
Consolidated total liabilities					<u>11,475</u>	<u>31,360</u>

	Cruise leasing and management		Travel		Unallocated		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other information								
Depreciation	6,720	5,781	24	21	768	672	7,512	6,474
Capital expenditure	7,839	397	24	6	940	338	8,803	741

(b) Geographical segments

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

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

	South China Sea, other than		in Hong Kong		Hong Kong		Macau		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue										
Turnover	95,717	95,382	7,813	5,523	–	–	103,530	100,905		
Segment assets	116,873	184,491	484,978	188,044	376,544	339,559	978,395	712,094		
Capital expenditure	7,839	397	964	344	–	–	8,803	741		

6. Turnover

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

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

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cruise leasing and management fee income	95,717	95,382
Travel agent service fee income	7,813	5,523
	<u>103,530</u>	<u>100,905</u>

7. Other revenue

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Commission income	60	34
Dividend from available-for-sale investment	1,133	1,133
Interest income	20,574	4,420
Management income	2,877	–
Written back of amortisation of goodwill	–	66
Others	339	206
	<u>24,983</u>	<u>5,859</u>

8. Profit before taxation

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

(a) Finance costs

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses on other borrowings wholly repayable within five years	–	97
	<u> </u>	<u> </u>

(b) Staff costs

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, wages and other benefit (including directors' emoluments)	31,337	28,584
Contribution to defined contribution retirement plan	489	432
	<u> </u>	<u> </u>
	<u>31,826</u>	<u>29,016</u>

(c) Other items

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditors' remuneration	651	518
Depreciation		
Owned fixed assets	7,512	6,474
Operating lease rentals		
Land and buildings	2,011	1,385
Plant and machinery	23	12
Exchange gain	(47)	(15)
Cost of inventories	9,534	10,045
	<u> </u>	<u> </u>

9. Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2006 HK\$'000	2005 HK\$'000
Hong Kong Profits Tax		
– Charge for the year	157	–
Deferred taxation relating to the origination and reversal of temporary differences	215	–
	<u>372</u>	<u>–</u>

The provision for Hong Kong Profits Tax for 2006 is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

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

	2006 HK\$'000	2005 HK\$'000
Profit before tax	48,531	31,783
Share of results of associates	386	12
	<u>48,917</u>	<u>31,795</u>
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	8,561	5,564
Tax effect of non-deductible expenses	1,182	965
Tax effect of non-taxable revenue	(11,042)	(8,702)
Tax effect of unrecognised tax losses	1,748	2,348
Unrecognised temporary differences	407	137
Tax effect on utilisation of previously unrecognised tax losses	(484)	(312)
	<u>372</u>	<u>–</u>
Tax charge	<u>372</u>	<u>–</u>

10. Directors' remuneration

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

Name	Directors' fees		Salaries, allowances and benefits in kind		Retirement scheme contributions		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive Directors								
Yeung Hoi Sing, Sonny	-	-	-	-	-	-	-	-
William Chan (resigned on 28 September 2006)	-	-	638	328	12	12	650	340
Lee Siu Cheung	-	-	1,343	528	12	12	1,355	540
Non-executive Director								
Choi Kin Pui, Russelle	-	-	90	80	-	-	90	80
Independent Non-executive Directors								
Luk Ka Yee, Patrick	-	-	90	80	-	-	90	80
Yeung Mo Sheung, Ann	-	-	90	80	-	-	90	80
Yim Kai Pung	-	-	90	80	-	-	90	80
	<u>-</u>	<u>-</u>	<u>2,341</u>	<u>1,176</u>	<u>24</u>	<u>24</u>	<u>2,365</u>	<u>1,200</u>

11. Individuals with highest emoluments

The five individuals with the highest emoluments, two (2005: one) are directors whose emoluments are disclosed in note 10. The aggregate of the emoluments in respect of the other three (2005: four) individuals are as follows:

	2006	2005
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	2,010	2,036
Retirement benefit scheme contributions	<u>38</u>	<u>42</u>
	<u>2,048</u>	<u>2,078</u>

The emoluments of the three (2005: four) individuals with the highest emoluments are within the following band:

	Number of individuals	
	2006	2005
HK\$Nil – HK\$1,000,000	<u>3</u>	<u>4</u>

12. Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of approximately HK\$2,889,000 (2005: loss of approximately HK\$116,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Amount of consolidated profit/(loss) attributable to equity shareholders dealt with in the Company's financial statements	2,889	(116)
Dividend from a subsidiary attributable to the profits of the financial year, approved and paid during the year	<u>–</u>	<u>68,100</u>
Company's profit for the year (<i>note 28</i>)	<u>2,889</u>	<u>67,984</u>

13. Dividend

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interim dividend declared and paid of HK0.15 cents per ordinary share (2005: HK\$ Nil)	<u>3,209</u>	<u>–</u>

14. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to equity shareholders of the Company of approximately HK\$28,380,000 (2005: HK\$12,291,000) and on the weighted average number of 2,010,697,000 ordinary shares (2005: 1,869,724,000) in issue during the year.

Weighted average number of ordinary shares

	'000
Issued ordinary shares at 1 October 2004	1,587,464
Effect of share placing	282,260
	<hr/>
Weighted average number of ordinary shares at 30 September 2005	<u>1,869,724</u>
Issued ordinary shares at 1 October 2005	1,904,464
Effect of share placing	106,233
	<hr/>
Weighted average number of ordinary shares at 30 September 2006	<u><u>2,010,697</u></u>

(b) Diluted earnings per share

There was no dilution effect on the basic earnings per share for the year ended 30 September 2006 and 30 September 2005 respectively as there were no dilutive instruments outstanding during both years.

15. Property, plant and equipment

Group

	Cruise <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture fittings and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost						
At 1 October 2004	93,600	2,195	2,021	2,816	230	100,862
Additions	–	98	3	640	–	741
At 30 September 2005 and 1 October 2005	93,600	2,293	2,024	3,456	230	101,603
Additions	–	503	7,829	471	–	8,803
Disposals	–	–	–	(4)	–	(4)
At 30 September 2006	93,600	2,796	9,853	3,923	230	110,402
Accumulated depreciation						
At 1 October 2004	3,510	694	281	352	45	4,882
Charge for the year	4,680	672	404	642	76	6,474
At 30 September 2005 and 1 October 2005	8,190	1,366	685	994	121	11,356
Charge for the year	4,680	685	1,318	752	77	7,512
Written back on disposals	–	–	–	(2)	–	(2)
At 30 September 2006	12,870	2,051	2,003	1,744	198	18,866
Net book value						
At 30 September 2006	<u>80,730</u>	<u>745</u>	<u>7,850</u>	<u>2,179</u>	<u>32</u>	<u>91,536</u>
At 30 September 2005	<u>85,410</u>	<u>927</u>	<u>1,339</u>	<u>2,462</u>	<u>109</u>	<u>90,247</u>

16. Goodwill

	Group <i>HK\$'000</i>
Cost	
At 1 October 2004	1,135
Acquisition of a subsidiary	178
	<hr/>
At 30 September 2005 and 30 September 2006	1,313
	<hr/>
Accumulated amortisation	
At 1 October 2004	66
Written back of amortisation	(66)
	<hr/>
At 30 September 2005 and 30 September 2006	–
	<hr/>
Net book value	
At 30 September 2006	1,313
	<hr/> <hr/>
At 30 September 2005	1,313
	<hr/> <hr/>

17. Interest in subsidiaries

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Unlisted shares, at cost	15,874	15,874
Amounts due from subsidiaries	260,027	284,236
Amount due to a subsidiary	(1,239)	–
	<hr/>	<hr/>
	274,662	300,110
	<hr/> <hr/>	<hr/> <hr/>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

The balances with subsidiaries are unsecured, interest free and have no fixed terms of repayment.

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

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

Name of subsidiary	Place of incorporation/ operation	Particulars of issued and paid up share capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Macau Success (Hong Kong) Limited	Hong Kong	10,000,000 shares of HK\$0.01 each	100	100	–	Investment holding
New Shepherd Assets Limited	British Virgin Islands	1 share of US\$1 each	100	100	–	Investment holding
Access Success Developments Limited	British Virgin Islands	1 share of US\$1 each	100	–	100	Investment holding
Ace Horizon Limited	British Virgin Islands	1 share of US\$1 each	100	–	100	Investment holding
Capture Success Limited*	British Virgin Islands/ South China Sea, other than in Hong Kong	100 shares of US\$1 each	55	–	55	Cruise leasing
Golden Sun Profits Limited	British Virgin Islands	1 share of US\$1 each	100	–	100	Investment holding
Hover Management Limited*	Hong Kong/ South China Sea, other than in Hong Kong	100 shares of HK\$1 each	55	–	55	Provision of cruise management services
Joyspirit Investments Limited	British Virgin Islands	1 share of US\$1 each	100	–	100	Investment holding
Macau Success Management Services Limited	Hong Kong	100 shares of HK\$1 each	100	–	100	Provision of administration services
Precise Innovation Limited	British Virgin Islands	1 share of US\$1 each	100	–	100	Investment holding and provision of nominee services
Top Region Assets Limited	British Virgin Islands	1 share of US\$1 each	100	–	100	Investment holding

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

Name of subsidiary	Place of incorporation/ operation	Particulars of issued and paid up share capital	Group's effective interest	Proportion of ownership interest		Principal activity
				Held by the Company	Held by a subsidiary	
Travel Success Limited	Hong Kong	500,000 shares of HK\$1 each	100	–	100	Travel agency
Travel Success (Macau) Limited	Macau	3 shares of MOP750,000, MOP749,000 and MOP1,000 respectively	100	–	100	Travel agency
World Fortune Limited	Hong Kong	100 shares of HK\$1 each	100	–	100	Investment holding

* *Not audited by CCIF CPA Limited.*

18. Interest in associates

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	283,738	284,124
Goodwill	4,581	4,581
	<hr/>	<hr/>
Amounts due from associates	288,319	288,705
	87,696	50,337
	<hr/>	<hr/>
	376,015	339,042
	<hr/> <hr/>	<hr/> <hr/>

The amounts due from associates are unsecured, interest free and has no fixed terms of repayment.

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

Name of associate	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Pier 16 – Property Development Limited	Macau	100,000 shares of MOP100 each	36.75	–	36.75	Investment, development and operation of an integrated hotel resort project “Ponte 16”
Pier 16 – Management Limited	Macau	2 shares of MOP24,000 and MOP1,000 respectively	36.75	–	36.75	Provision of management services for development of an integrated hotel resort project “Ponte 16”

Summary financial information on associates

	Assets	Liabilities	Equity	Revenues	Profit/ (loss)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2006					
100 per cent	1,084,329	312,252	772,077	–	(1,051)
Group's effective interest	<u>398,491</u>	<u>114,753</u>	<u>283,738</u>	<u>–</u>	<u>(386)</u>
2005					
100 per cent	926,420	153,238	773,182	327	2
Group's effective interest	<u>340,459</u>	<u>56,315</u>	<u>284,144</u>	<u>120</u>	<u>(12)</u>

19. Available-for-sale investment

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	<u>25,239</u>	<u>25,239</u>

On 13 July 2005, Top Region Assets Limited, a wholly-owned subsidiary of the Company, entered into an agreement with two independent third parties for the acquisition of 8.13% interest in the then issued share capital of Triumph Up Investments Limited (“Triumph Up”), a company incorporated in the British Virgin Islands, for a consideration of HK\$22,800,000. Including the acquisition expenses, the total investment cost was approximately HK\$25,239,000.

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

20. Loan receivable

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loan receivable	<u>–</u>	<u>51,562</u>

The loan receivable was due from King Seiner Palace Promotor De Jogos, Limitada (the “Borrower”), which is owned as to 56% by Mr. Yeung Hoi Sing, Sonny (“Mr. Yeung”, being an executive director of the Company), 24% by Mr. Chan Hon Keung (“Mr. Chan”) and 20% by an independent third party pursuant to a loan agreement entered between the Borrower and Joyspirit Investments Limited (the “Lender”) on 7 March 2005 (the “Loan Agreement”). The loan was secured by the guarantee from Mr. Yeung and Mr. Chan and repayable in full on or before 5 August 2010. Interest payable on the loan was the higher of (i) 20% per annum; and (ii) the amount equivalent to 18% of the net profit of the Borrower before all interest payments on the loan for the latest financial year of the Borrower as shown in the audited financial statements of the Borrower.

The Lender terminated the Loan Agreement on 29 September 2006 and the Borrower repaid the loan on the same date.

21. Inventories

	Group	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Fuel oil	<u>1,178</u>	<u>1,181</u>

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

22. Trade and other receivables

	Group		Company	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Trade receivables	1,972	1,624	–	–
Deposits, prepayments and other receivables	<u>11,537</u>	<u>11,213</u>	<u>165</u>	<u>195</u>
	<u><u>13,509</u></u>	<u><u>12,837</u></u>	<u><u>165</u></u>	<u><u>195</u></u>

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

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

	Group		Company	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Current	1,924	1,584	–	–
31 to 60 days	4	11	–	–
61 to 90 days	9	13	–	–
Over 90 days	<u>35</u>	<u>16</u>	<u>–</u>	<u>–</u>
	<u><u>1,972</u></u>	<u><u>1,624</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

The Group normally allows a credit period of 30 days (2005: 30 days).

23. Trade and other payables

	Group		Company	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	229	156	–	–
Accrued charges and other payables	5,818	4,996	1,940	601
	<u>6,047</u>	<u>5,152</u>	<u>1,940</u>	<u>601</u>

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

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

	Group		Company	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	217	137	–	–
31 to 60 days	1	5	–	–
61 to 90 days	–	–	–	–
Over 90 days	11	14	–	–
	<u>229</u>	<u>156</u>	<u>–</u>	<u>–</u>

24. Loans from minority shareholders

The loans are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the Company's directors, the loans are not repayable within the next twelve months.

25. Deferred tax liabilities

(a) Recognised deferred tax liabilities

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

	Group Accelerated depreciation HK\$'000
At 1 October 2004 and 30 September 2005	–
At 1 October 2005	–
Charged to the income statement	215
At 30 September 2006	215

(b) Unrecognised deferred tax assets

Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through utilisation against future taxable profits is probable. At 30 September 2006, the Group had tax losses of approximately HK\$70 million (2005: HK\$60 million) that are available to carry forward indefinitely for offsetting against future taxable profits.

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

26. Share capital

	<i>Notes</i>	Number of shares '000	Nominal value HK\$'000
<i>Authorised:</i>			
Ordinary shares of HK\$0.01 each			
At 1 October 2004		10,000	100
Increased on authorised shares	<i>(a)</i>	<u>159,990,000</u>	<u>1,599,900</u>
At 30 September 2005		<u>160,000,000</u>	<u>1,600,000</u>
At 1 October 2005 and 30 September 2006		<u>160,000,000</u>	<u>1,600,000</u>
<i>Issued and fully paid:</i>			
At 1 October 2004		–	–
Shares issued to shareholders of MSHK as consideration for cancellation of shares of MSHK	<i>(b)</i>	1,587,464	15,875
Shares placement	<i>(c)</i>	<u>317,000</u>	<u>3,170</u>
At 30 September 2005		<u>1,904,464</u>	<u>19,045</u>
At 1 October 2005		1,904,464	19,045
Share placement	<i>(d)</i>	<u>235,000</u>	<u>2,350</u>
At 30 September 2006		<u>2,139,464</u>	<u>21,395</u>

The change in the authorised and issued share capital of the Company which took place during the period from 1 October 2004 to 30 September 2006, were as follows:

- (a) By a written resolution passed by a sole member of the Company dated 20 August 2004 and effective 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.
- (b) On 8 November 2004, as part of the Group Reorganisation, the Company issued an aggregate of 1,587,464,233 shares of HK\$0.01 each. In consideration for the cancellation of the shares of Macau Success (Hong Kong) Limited (“MSHK”), the former holding company of the Group, the holders of MSHK’s shares received the Company’s shares, credited as fully paid, on the basis of one Company’s share for every one MSHK’s share cancelled.
- (c) On 10 November 2004, a substantial shareholder entered into a placing agreement and a subscription agreement with a placing agent and the Company respectively. Pursuant to the placing agreement, the placing agent has agreed to place, on a fully underwritten basis, the placing shares to not less than six independent placees at a price of HK\$1.28 per placing shares. Pursuant to the subscription agreement, the substantial shareholder has conditionally agreed to subscribe for the subscription shares at a price of HK\$1.28 per subscription 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 substantial shareholder.
- (d) On 12 April 2006, a substantial shareholder entered into a placing agreement and a subscription agreement with a placing agent and the Company respectively. Pursuant to the placing agreement, the placing agent agreed to place to not less than six independent placees for up to 235,000,000 shares at HK\$1.09 each per placing share on behalf of the substantial shareholder. Pursuant to the subscription agreement, the substantial shareholder conditionally agreed to subscribe for such number of new shares as is equal to the number of placing shares successfully placed by the placing agent at a price of HK\$1.09 per subscription share. On 25 April 2006, the Company issued and allotted 235,000,000 new shares for a total consideration of HK\$256,150,000 before expenses to the substantial shareholder.

27. Employee retire benefits**(a) *Defined contribution retirement plan***

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

(b) *Share option scheme*

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

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

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

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

Notwithstanding aforesaid in 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 Option Scheme and any other share option schemes of the Company must not exceed 30 per cent. of the total number of shares in issue from time to time.

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

The exercise price in respect of any particular option shall be such price as determined by the board in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be less than the highest of (i) the official closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant, which must be a business day; (ii) the average of the official closing price of the shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant; 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 consideration 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 have been granted under the Option Scheme since its adoption.

28. Reserves

Group

	Attributable to equity shareholders of the Company							Total equity HK\$'000
	Share premium HK\$'000	Distributable reserve HK\$'000	Capital redemption reserve HK\$'000	Property revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	
	At 1 October 2004	–	54,450	976	–	14,869	70,295	
Placing of new shares	402,590	–	–	–	–	402,590	–	402,590
Share issuance costs	(39,670)	–	–	–	–	(39,670)	–	(39,670)
Net profit for the year	–	–	–	–	12,291	12,291	19,492	31,783
Redomicile costs	–	(2,117)	–	–	–	(2,117)	–	(2,117)
Surplus on revaluation – associates	–	–	–	187,065	–	187,065	–	187,065
At 30 September 2005	<u>362,920</u>	<u>52,333</u>	<u>976</u>	<u>187,065</u>	<u>27,160</u>	<u>630,454</u>	<u>31,235</u>	<u>661,689</u>
At 1 October 2005	362,920	52,333	976	187,065	27,160	630,454	31,235	661,689
Placing of new shares	253,800	–	–	–	–	253,800	–	253,800
Share issuance costs	(4,204)	–	–	–	–	(4,204)	–	(4,204)
Net profit for the year	–	–	–	–	28,380	28,380	19,779	48,159
Interim dividend declared in respect of current year	–	–	–	–	(3,209)	(3,209)	(10,710)	(13,919)
At 30 September 2006	<u>612,516</u>	<u>52,333</u>	<u>976</u>	<u>187,065</u>	<u>52,331</u>	<u>905,221</u>	<u>40,304</u>	<u>945,525</u>
Reserves retained by								
Company and subsidiaries	362,920	52,333	976	–	27,172	443,401	31,235	474,636
Associates	–	–	–	187,065	(12)	187,053	–	187,053
At 30 September 2005	<u>362,920</u>	<u>52,333</u>	<u>976</u>	<u>187,065</u>	<u>27,160</u>	<u>630,454</u>	<u>31,235</u>	<u>661,689</u>
Company and subsidiaries	612,516	52,333	976	–	52,729	718,554	40,304	758,858
Associates	–	–	–	187,065	(398)	186,667	–	186,667
At 30 September 2006	<u>612,516</u>	<u>52,333</u>	<u>976</u>	<u>187,065</u>	<u>52,331</u>	<u>905,221</u>	<u>40,304</u>	<u>945,525</u>

Company

	Share premium <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 October 2004	–	(15)	(15)
Placing of new shares	402,590	–	402,590
Share issuance costs	(39,670)	–	(39,670)
Net profit for the year	–	67,984	67,984
	<u>362,920</u>	<u>67,969</u>	<u>430,889</u>
At 30 September 2005	<u>362,920</u>	<u>67,969</u>	<u>430,889</u>
At 1 October 2005	362,920	67,969	430,889
Placing of new shares	253,800	–	253,800
Share issuance costs	(4,204)	–	(4,204)
Net profit for the year	–	2,889	2,889
Interim dividend declared in respect of current year	–	(3,209)	(3,209)
	<u>612,516</u>	<u>67,649</u>	<u>680,165</u>
At 30 September 2006	<u>612,516</u>	<u>67,649</u>	<u>680,165</u>

29. Acquisition of a subsidiary

	2005
	<i>HK\$'000</i>
Fair value of identifiable assets acquired:	
Amount due from shareholders	1,081
Cash and bank balances	377
	<hr/>
	1,458
Goodwill	178
	<hr/>
Total consideration	<u>1,636</u>
Satisfied by:	
Cash consideration	555
Assumption of debts	1,081
	<hr/>
	<u>1,636</u>
Cash outflow on acquisition:	
Cash and cash equivalents in subsidiary acquired	377
Purchase consideration settled in cash	(555)
	<hr/>
	<u>(178)</u>

On 26 October 2004, the Group acquired 100% equity interest of Travel Success (Macau) Limited (“TSML”) for a total consideration of approximately HK\$1,636,000. TSML incurred net loss of approximately HK\$57,000 and did not contribute any revenue to the Group for the period since the date of acquisition.

30. Commitments

- (a) Capital commitments outstanding at 30 September 2006 not provided for in the financial statements were as follows:

	Group		Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contracted but not provided for	–	1,021	–	–
Authorised but not contracted for	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>–</u>	<u>1,021</u>	<u>–</u>	<u>–</u>

- (b) At 30 September 2006, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group		Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	2,390	972	821	–
In the second to fifth years, inclusive	1,959	58	–	–
	<u>4,349</u>	<u>1,030</u>	<u>821</u>	<u>–</u>

31. Related party transactions

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

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

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

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

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

During the year, the loan interest of approximately HK\$9,973,000 (2005: HK\$1,562,000) was received from the Borrower.

The Lender terminated the Loan Agreement on 29 September 2006 and the Borrower repaid the loan on the same date.

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

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Travel service income received and receivable from			
– Associates	<i>(i)(ii)</i>	552	168
– Key management personnel	<i>(ii)</i>	643	241
– Closely family members of key management personnel	<i>(ii)</i>	260	470
		<u>1,455</u>	<u>879</u>
Trade receivable from travel service as at the balance sheet date			
– Associates		243	102
– Key management personnel		–	10
– Closely family members of key management personnel		–	10
		<u>243</u>	<u>122</u>

- (i) The Company's directors, Mr. Yeung Hoi Sing, Sonny and Mr. Lee Siu Cheung, are the directors of the associates.
- (ii) The travel agent service income was charged according to prices and conditions similar to those offered to other customers.
- (c) The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 10.

32. Pledge of assets

As at 30 September 2006, the Group pledged the time deposits of approximately HK\$0.7 million (2005: HK\$0.7 million) to certain banks for issuance of several bank guarantees approximately to HK\$0.7 million (2005: HK\$0.7 million) for operation of the Group.

33. Non-adjusting post balance sheet event

- (a) On 13 June 2006, Top Region Assets Limited (the “Vendor”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “Agreement”) with an independent third party, China Star Entertainment Limited (the “Purchaser”), a company listed on the Stock Exchange for the disposal of its 8.13% interest in the issued share capital of Triumph Up Investments Limited for a consideration of HK\$36,112,763.57 to the Purchaser. The consideration was determined after arm’s length negotiations and with reference to an independent valuer on an open market basis as at 8 June 2006. The Company agreed to act as a guarantor to guarantee the performance of the Vendor’s obligations under the Agreement.

On 31 October 2006, the parties entered into a deed of variation to extend the longstop date under the Agreement to 28 February 2007.

- (b) On 30 November 2006, World Fortune Limited (the “Purchaser”), a wholly-owned subsidiary of the Company, and Joy Idea Investments Limited (the “Vendor”), an independent third party entered into an Agreement pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase 12.25% equity interest in the issued share capital of Pier 16 – Property Development Limited (“Pier 16 – Property Development”) at an aggregate consideration of HK\$200 million subject to and upon the terms and conditions of the Agreement. The consideration will be paid by cash of HK\$152 million and by the allotment and issue of fully paid shares of the Company of 60 million ordinary shares with nominal value of HK\$0.01 each at HK\$0.8 per share.

The Purchaser currently owned 36.75% equity interest in Pier 16 – Property Development. Upon completion of the transaction, the Purchaser will increase its equity interest in Pier 16 – Property Development to 49%. Details of the transaction have been disclosed in the Company’s announcement dated 6 December 2006.

34. Possible impact of amendments, new standards and interpretations issued but not yet effective, for the year ended 30 September 2006

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

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures ²
HKAS 21 (Amendment)	Net Investment in a Foreign Operation ²
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions ²
HKAS 39 (Amendment)	The Fair Value Option ²
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts ²
HKFRS 6	Exploration for and Evaluation of Mineral Resources ²
HKFRS 7	Financial Instruments Disclosures ¹
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease ²
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds ²
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment ²
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ⁴
HK(IFRIC)-Int 8	Scope of HKFRS2 ⁵
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives ⁶
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment ⁷

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 January 2006

³ Effective for annual periods beginning on or after 1 December 2005

⁴ Effective for annual periods beginning on or after 1 March 2006

⁵ Effective for annual periods beginning on or after 1 May 2006

⁶ Effective for annual periods beginning on or after 1 June 2006

⁷ Effective for annual periods beginning on or after 1 November 2006

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 September 2006, the date to which the latest published audited financial statements of the Group were made up.

4. INDEBTEDNESS**Borrowings**

As at the close of business on 30 November 2006, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, apart from intra-group liabilities, no member of the Group had any outstanding borrowings.

Guarantees

As at 30 November 2006, the Group had pledged time deposits of approximately HK\$0.7 million to certain banks for bank guarantees of approximately HK\$0.7 million issued in favour of the Independent Third Parties for operations of the Group.

Disclaimer

Save as aforesaid, the Group did not, as at 30 November 2006, have any outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans, debt securities or other similar guarantees or other material contingent liabilities. The Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Group since 30 November 2006.

5. WORKING CAPITAL

The Directors are of the opinion that after taking into account the available banking facilities and internal resources of the Group, the Group has sufficient working capital for the next 12 months from the date of this circular.

**CCIF****CCIF CPA LIMITED**20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong KongThe Directors
Macau Success Limited

29 January 2007

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) of Pier 16 – Property Development Limited (“Pier 16 – Property Development”) and its subsidiaries (hereinafter collectively referred to as the “Target Group”) for the period from 20 February 2004 (date of incorporation) to 31 December 2005 and the nine months ended 30 September 2006 (the “Relevant Period”) for inclusion in the circular of Macau Success Limited (the “Company”) dated 29 January 2007 (the “Circular”) in relation to the acquisition of 12.25% equity interest in and the related loan to Pier 16 – Property Development and the possible provision of shareholder’s loan to Pier 16 – Property Development.

Pier 16 – Property Development is a company incorporated in Macau on 20 February 2004 with limited liability and principally engages in the development of Ponte 16. Ponte 16 is a proposed theme park construction project in Macau consists of a hotel, a casino, shopping arcades, a cultural space and car parks.

The Financial Information set out in this report has been prepared based on the audited consolidated financial statements of Pier 16 – Property Development for the Relevant Period. The particulars of Pier 16 – Property Development’s subsidiaries as at 30 September 2006 are as follows:

Company	Form of business structure	Date and place of establishment and operation	Issued and fully paid up share capital/ registered capital	Percentage of equity attributable to Pier 16 – Property Development		Principal activities
				Direct	Indirect	
Pier 16 – Management Limited (“Pier 16 – Management”)	wholly owned	13/6/2005 Macau	MOP25,000	96%	4%	Provision of management service for development of an integrated hotel resort project “Ponte 16”
Early Success Limited (“Early Success”)	wholly owned	5/1/2006 British Virgin Islands	USD1	100%	–	Investment holding

The statutory financial statements of Pier 16 – Property Development and Pier 16 – Management for the Relevant Period were prepared in accordance with accounting principles generally accepted in Macau and were audited by Watt Hung Chow.

No audited statutory financial statements have been prepared for Early Success since its date of establishment as it has not yet reached its financial year end date for statutory requirement.

For the purpose of this report, we have examined the audited consolidated financial statements of Pier 16 – Property Development prepared in accordance with the accounting principles generally accepted in Macau for the Relevant Period and have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the Hong Kong Institute of Certified Public Accountants.

The directors of Pier 16 – Property Development are responsible for the preparation of the financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

The directors of Pier 16 – Property Development are also responsible for the Financial Information of Pier 16 – Property Development as at 31 December 2004, 31 December 2005 and 30 September 2006 and for the Relevant Period. It is our responsibility to form an independent opinion on the Financial Information of Pier 16 – Property Development.

In our opinion, the Financial Information together with the notes thereon give, for the purpose of this report, a true and fair view of the state of affairs of the Target Group as at 31 December 2004, 31 December 2005 and 30 September 2006 of the consolidated results and cash flows of the Target Group for the Relevant Period.

A. CONSOLIDATED INCOME STATEMENT

The following is the summary of the consolidated income statement of the Target Group for the Relevant Period, which is presented on the basis set out in Note 1 under Section F below:

		Period from 20/2/2004 to 31/12/2004	Period from 1/1/2005 to 31/12/2005	Nine months ended	
	<i>Notes</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Turnover	4	–	289	–	1,279
General and administrative expenses		(89)	(430)	(173)	(2,249)
Loss before tax	5	(89)	(141)	(173)	(970)
Taxation	7	–	–	–	–
Loss for the period/year		<u>(89)</u>	<u>(141)</u>	<u>(173)</u>	<u>(970)</u>
Attributable to:					
Equity shareholders of the parent		<u>(89)</u>	<u>(141)</u>	<u>(173)</u>	<u>(970)</u>

APPENDIX II
**ACCOUNTANTS' REPORT ON
PIER 16 – PROPERTY DEVELOPMENT**
B. CONSOLIDATED BALANCE SHEET

The following is a summary of the consolidated balance sheet of the Target Group as at 31 December 2004, 31 December 2005 and 30 September 2006, which is presented on the basis set out in Note 1 under Section F below:

		At 31/12/2004 MOP'000 (restated)	At 31/12/2005 MOP'000	At 30/9/2006 MOP'000
NON-CURRENT ASSETS				
Plant and equipment	9	–	588	1,692
Properties under development	10	79,191	133,113	304,510
Deposit for properties under development		–	–	11,209
		79,191	133,701	317,411
CURRENT ASSETS				
Other receivables	12	277	387	922
Bank deposits		–	–	3,671
Cash at banks and in hand		–	64,134	8,415
		277	64,521	13,008
CURRENT LIABILITIES				
Due to immediate parent	14	(63,799)	(97,847)	(157,583)
Due to shareholders	14	(5,150)	(68,989)	(119,459)
Due to a fellow subsidiary	14	–	–	(72)
Due to a related company	14	–	(4,605)	(32,226)
Other payable	13	(608)	(16,934)	(12,157)
Obligations under finance leases	15	–	(25)	(39)
		(69,557)	(188,400)	(321,536)
NET CURRENT LIABILITIES		(69,280)	(123,879)	(308,528)
TOTAL ASSETS LESS CURRENT LIABILITIES		9,911	9,822	8,883
NON-CURRENT LIABILITIES				
Obligations under finance leases	15	–	(52)	(83)
		–	(52)	(83)
NET ASSETS		9,911	9,770	8,800
CAPITAL AND RESERVES				
Share capital	16	10,000	10,000	10,000
Reserves	17	(89)	(230)	(1,200)
TOTAL EQUITY		9,911	9,770	8,800

APPENDIX II**ACCOUNTANTS' REPORT ON
PIER 16 – PROPERTY DEVELOPMENT****C. BALANCE SHEET**

The following is a summary of the balance sheet of Pier 16 – Property Development as at 31 December 2004, 31 December 2005 and 30 September 2006, which is presented on the basis set out in Note 1 under Section F below:

		At	At	At
	<i>Notes</i>	31/12/2004	31/12/2005	30/9/2006
		<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
		(restated)		
NON-CURRENT ASSETS				
Properties under development	<i>10</i>	79,191	133,276	305,491
Investment in subsidiaries	<i>11</i>	–	25	24
Deposit for properties under development		–	–	11,209
		79,191	133,301	316,724
CURRENT ASSETS				
Due from a subsidiary		–	–	1
Other receivables	<i>12</i>	277	277	347
Bank deposits		–	–	3,671
Cash at banks and in hand		–	64,098	5,080
		277	64,375	9,099
CURRENT LIABILITIES				
Due to immediate parent	<i>14</i>	(63,799)	(94,706)	(150,299)
Due to shareholders	<i>14</i>	(5,150)	(68,989)	(119,460)
Due to a fellow subsidiary	<i>14</i>	–	(2,877)	(2,489)
Due to a related company	<i>14</i>	–	(4,452)	(32,226)
Other payables	<i>13</i>	(608)	(16,723)	(11,380)
		(69,557)	(187,747)	(315,854)
NET CURRENT LIABILITIES		(69,280)	(123,372)	(306,755)
NET ASSETS		9,911	9,929	9,969
CAPITAL AND RESERVES				
Share capital	<i>16</i>	10,000	10,000	10,000
Reserves	<i>17</i>	(89)	(71)	(31)
TOTAL EQUITY		9,911	9,929	9,969

D. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The following is a summary of the consolidated statement of changes in equity of the Target Group for the Relevant Period, which is presented on the basis set out in Note 1 under Section F below:

	Share capital <i>MOP'000</i>	Statutory reserve <i>MOP'000</i>	Accumulated losses <i>MOP'000</i>	Total <i>MOP'000</i>
Balance at 20 February 2004 (date of incorporation)	–	–	–	–
Issue of share capital	10,000	–	–	10,000
Loss for the period	–	–	(89)	(89)
Balance at 31 December 2004 and 1 January 2005	10,000	–	(89)	9,911
Loss for the year	–	–	(141)	(141)
Transfer to legal reserve	–	6	(6)	–
Balance at 31 December 2005 and 1 January 2006	10,000	6	(236)	9,770
Loss for the period	–	–	(970)	(970)
Balance at 30 September 2006	<u>10,000</u>	<u>6</u>	<u>(1,206)</u>	<u>8,800</u>
Balance at 1 January 2005	10,000	–	(89)	9,911
Loss for the period	–	–	(173)	(173)
Balance at 30 September 2005 (unaudited)	<u>10,000</u>	<u>–</u>	<u>(262)</u>	<u>9,738</u>

E. CONSOLIDATED CASH FLOW STATEMENT

The following is a summary of the consolidated cash flow statement of the Target Group for the Relevant Period, which is presented on the basis set out in Note 1 under Section F below:

	Period ended 31/12/2004 <i>MOP'000</i>	Year ended 31/12/2005 <i>MOP'000</i>	Nine months ended 30/9/2005 30/9/2006 <i>MOP'000</i> <i>MOP'000</i> (unaudited)	
OPERATING ACTIVITIES				
Loss before taxation	(89)	(141)	(173)	(970)
Adjustment for:				
Depreciation	–	78	33	184
Interest income	–	(289)	–	(1,279)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OPERATING LOSS BEFORE CHANGES IN WORKING CAPITAL				
	(89)	(352)	(140)	(2,065)
Increase in other receivable	(277)	(110)	(355)	(535)
Increase/(decrease) in other payable	8	16,326	574	(4,777)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET CASH (USED IN)/ GENERATED FROM OPERATING ACTIVITIES				
	<u>(358)</u>	<u>15,864</u>	<u>79</u>	<u>(7,377)</u>
INVESTING ACTIVITIES				
Interest received	–	289	–	1,279
Purchase of plant and equipment	–	(564)	(517)	(1,210)
Addition of properties under development	(78,591)	(53,922)	(22,673)	(171,397)
Deposit paid for properties under development	–	–	–	(11,209)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET CASH USED IN INVESTING ACTIVITIES				
	<u>(78,591)</u>	<u>(54,197)</u>	<u>(23,190)</u>	<u>(182,537)</u>

APPENDIX II**ACCOUNTANTS' REPORT ON
PIER 16 – PROPERTY DEVELOPMENT**

	Period ended	Year ended	Nine months ended	
	31/12/2004	31/12/2005	30/9/2005	30/9/2006
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
			(unaudited)	
FINANCING ACTIVITIES				
Issue of share capital	10,000	–	–	–
Repayments of obligations under finance leases	–	(25)	(9)	(33)
Advances from immediate parent	63,799	34,048	23,096	59,736
Advances from shareholders	5,150	63,839	63,839	50,470
Advances from a fellow subsidiary	–	–	–	72
Advances from a related company	–	4,605	–	27,621
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET CASH GENERATED FROM FINANCING ACTIVITIES	78,949	102,467	86,926	137,866
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
	–	64,134	63,815	(52,048)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR	–	–	–	64,134
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	–	64,134	63,815	12,086
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Bank deposits	–	–	–	3,671
Cash at banks and in hand	–	64,134	63,815	8,415
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

F. NOTES TO THE FINANCIAL INFORMATION

1. Principal accounting policies

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards which includes all applicable Individual Hong Kong Financial Reporting Standards (“HKFRSs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). A summary of the significant accounting policies adopted by the Target Group is set out below.

a) Adoption of HKFRSs

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 application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has also resulted in changes to the Target Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented:

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 the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
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: Disclosures and Presentation
HKAS 33	Earning Per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 32, 33, 36, 38, 39 and HKFRS 3 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of share of net after-tax results of associates and other disclosures.
- HKASs 2, 7, 8, 10, 16, 23, 27, 28, 32, 33, 36, 38, 39 and HKFRS 3 had no material effect on the Group's policies.
- HKAS 21 had no material effect on the Target Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Target Group entities have the same functional currency as the presentation currency for respective entity financial statements.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of HKAS 17 has the following effect on the Target Group's policies.

In prior year, land use right and construction in progress were included in properties under development and stated at cost.

With effect from accounting period commencing from 1 January 2005, in order to comply with HKAS 17, land use right and construction in progress are split into a lease of land and construction in progress according to their respective costs. Land use right is stated at cost, and amortised over period of the lease on a straight line basis, whereas construction in progress is stated at cost and it is not depreciated until completion of construction. This change in accounting policy has been applied retrospectively.

The effects of the above changes in accounting policies on the consolidated balance sheet as at 31 December 2004 is as follows:

	At 31 December 2004	Effect of adopting HKAS 17	At 31 December 2004
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
	(originally stated)		(restated)
Property under development	129,067	(49,876)	79,191
Other payables	(49,876)	49,876	–
	<u> </u>	<u> </u>	<u> </u>
Total effect on assets and liabilities	<u>79,191</u>	<u>–</u>	<u>79,191</u>

The adoption of HKFRS 2 has no effect on the Target Group's policies as the Target Group has not granted any share option since its incorporation up to 30 September 2006.

The Target Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (*see note 22*).

b) Basis of preparation

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

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

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

c) *Subsidiaries and minority interests*

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. 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 that there is no evidence of impairment.

Minority interest represents the portion of the net assets of subsidiaries attributable to interests that are not owned by the company, whether directly or indirectly through subsidiaries, and in respect of which the group has not agreed any additional terms with the holders of those interests which would result in the group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the company. Minority interests in the results of the group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the company.

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

In the company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses.

d) Revenue recognition

Interest income is recognised on a time proportion basis on the principal outstanding and at the effective interest rate applicable.

e) Impairment of assets

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

- plant and equipment;
- properties under development

If any such indication exists, the asset's recoverable amount is estimated.

- 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).

- Recognition of impairment losses

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

– Reversals of impairment losses

In respect of assets, an impairment loss is reversed if there has been a favourable changes in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credit to profit or loss in the year in which the reversals are recognised.

f) Income tax

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

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

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

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

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

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

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

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

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

- in the case of current tax assets and liabilities, the company or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or

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

g) Plant and equipment

Plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

Depreciation is calculated to write off the cost or valuation of items of plant and equipment, less their estimated residual value, of any, using the straight the method at the following annual rate:

Office equipment	20%
Furniture and equipment	20%
Computer equipment	25%
Leasehold improvement	33.33%

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

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

h) Properties under development

Properties under development are stated at cost less any accumulated impairment losses. Cost comprises the prepaid land lease payments together with any other direct costs attributable to the development of the properties. Borrowing costs, professional fees, and other related expenses incurred during the construction or development phase of the property are capitalised as part of the costs of that property.

Once the constructions or developments of these properties are completed, these properties are reclassified to the appropriate asset categories.

i) Other receivables

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

j) Cash and cash equivalents

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

k) Other payables

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

l) Translation of foreign currencies

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

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

The results of foreign operations are translated into Macau Pataca (“MOP”) at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

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

m) Related parties

Parties are considered to be related to the Target Group if the group has the ability, directly or indirectly to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their family members) or other entities and include entities which are under the significant influence or related parties of Target Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the group or of any entity that is a related party of the group.

n) Provisions and contingent liabilities

A provision is recognised when there is present obligation, legal or constructive, as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Pier 16 – Property Development. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2. Financial risk management

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

a) Interest rate risk

As the Target Group has no significant interest bearing liabilities, the Target 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 Target Group's monetary assets and liabilities are denominated in MOP Dollars, and the Target Group conducted its business transactions principally in MOP Dollars. The exchange rate risk of the Target Group is not significant.

c) Credit risk

The Target Group has no significant concentrations of credit risk.

d) Liquidity risk

The Target 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. Shareholders have confirmed their present intention to provide financial support to the Target Group to enable it to meet its liabilities as and when they fall due, so the Target Group has no significant liquidity risk.

e) Fair value

The directors considered that the carrying amounts of all financial assets and liabilities approximated to their fair values at 31 December 2004, 31 December 2005 and 30 September 2006.

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

a) Plant and equipment and depreciation

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

b) Impairment of assets

The Target 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.

4. Turnover

Turnover represents the interest income arised from cash at bank balances and bank deposits.

	Period ended	Year ended	Nine months ended	
	31/12/2004	31/12/2005	30/9/2005	30/9/2006
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
			(unaudited)	
Interest income	–	289	–	1,279

5. Loss before tax

Loss before tax was arrived at after charging the following:

	Period ended	Year ended	Nine months ended	
	31/12/2004	31/12/2005	30/9/2005	30/9/2006
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
			(unaudited)	
Charging:				
Auditors' remuneration	8	72	–	–
Preliminary expenses	74	–	–	–
Exchange loss	–	–	–	46

6. Directors' and senior executives' remuneration

No remunerations were paid or payable to directors or senior executives for the Relevant Period. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Period.

7. Taxation

No provision for Hong Kong profits tax had been made as Pier 16 – Property Development did not generate any assessable profits arising in Hong Kong for the Relevant Period. Pier 16 – Property Development is subject to income tax in Macau at a rate of 15% on the assessable profits. A reconciliation between tax expense and the accounting loss at applicable tax rate is as follows:

	Period ended 31/12/2004 <i>MOP'000</i>	Year ended 31/12/2005 <i>MOP'000</i>	Nine months ended 30/9/2005 30/9/2006 <i>MOP'000</i> <i>MOP'000</i> (unaudited)	
Loss before tax	(89)	(141)	(173)	(970)
Notional tax calculated at the rates applicable to profits in the countries concerned	(13)	(21)	(26)	(146)
Unrecognised tax loss	13	21	26	146
Tax charge	–	–	–	–

8. Profit/(loss) attributable to equity shareholders of the pier 16 – property development

	Period ended 31/12/2004 <i>MOP'000</i>	Year ended 31/12/2005 <i>MOP'000</i>	Nine months ended 30/9/2005 30/9/2006 <i>MOP'000</i> <i>MOP'000</i> (unaudited)	
Profit/(loss) attributable to equity shareholders of Pier 16 – Property Development dealt with in the financial statements of Pier 16 – Property Development	(89)	18	(122)	40

9 Plant and equipment**The Target Group**

	Office equipment <i>MOP'000</i>	Furniture and equipment <i>MOP'000</i>	Computer equipment <i>MOP'000</i>	Leasehold improvement <i>MOP'000</i>	Total <i>MOP'000</i>
Cost					
At 20 February 2004, 31 December 2004 and 1 January 2005	–	–	–	–	–
Additions	122	80	173	291	666
At 31 December 2005	122	80	173	291	666
Additions	193	26	420	649	1,288
At 30 September 2006	315	106	593	940	1,954
Depreciation					
At 20 February 2004, 31 December 2004 and 1 January 2005	–	–	–	–	–
Provision	(10)	(8)	(16)	(44)	(78)
At 31 December 2005	(10)	(8)	(16)	(44)	(78)
Provision	(22)	(15)	(48)	(99)	(184)
At 30 September 2006	(32)	(23)	(64)	(143)	(262)
Net book value					
At 30 September 2006	<u>283</u>	<u>83</u>	<u>529</u>	<u>797</u>	<u>1,692</u>
At 31 December 2005	<u>112</u>	<u>72</u>	<u>157</u>	<u>247</u>	<u>588</u>
At 31 December 2004	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

At 30 September 2006, the carrying amounts of the Target Group's office equipment and computer equipment include amount of approximately MOP147,000 (31 December 2005: MOP90,000; 31 December 2004: MOP Nil) in respect of assets held under finance leases.

10. Properties under development**The Target Group**

	At 31/12/2004 <i>MOP'000</i> (restated)	At 31/12/2005 <i>MOP'000</i>	At 30/9/2006 <i>MOP'000</i>
At beginning of year	–	79,191	133,113
Addition during the year	79,191	53,922	171,397
Amortisation of prepaid land lease payments	–	(3,689)	(2,767)
Capitalisation of amortisation of prepaid land lease payment	–	3,689	2,767
	<u>79,191</u>	<u>133,113</u>	<u>304,510</u>
At end of year	<u>79,191</u>	<u>133,113</u>	<u>304,510</u>

Pier 16 – Property Development

	At 31/12/2004 <i>MOP'000</i> (restated)	At 31/12/2005 <i>MOP'000</i>	At 30/9/2006 <i>MOP'000</i>
At beginning of year	–	79,191	133,276
Addition during the year	79,191	54,085	172,215
Amortisation of prepaid land lease payments	–	(3,689)	(2,767)
Capitalisation of amortisation of prepaid land lease payment	–	3,689	2,767
	<u>79,191</u>	<u>133,276</u>	<u>305,491</u>
At end of year	<u>79,191</u>	<u>133,276</u>	<u>305,491</u>

The properties under development at 31 December 2004, 31 December 2005 and 30 September 2006 comprised properties in Macau held under medium-term land use right. These properties are carried at cost.

11. Interest in subsidiaries

	At 31/12/2004 <i>MOP'000</i>	At 31/12/2005 <i>MOP'000</i>	At 30/9/2006 <i>MOP'000</i>
Unlisted shares, at cost	–	25	24

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

All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the Target Group financial statements.

Company	Form of business structure	Date and place of establishment and operation	Issued and fully paid up share capital/ registered capital	Percentage of equity attributable to		Principal activities
				Pier 16 – Property Development Direct	Indirect	
Pier 16 – Management Limited (“Pier 16 – Management)	wholly owned	13/6/2005 Macau	MOP25,000	96%	4%	Provision of management services for development of an integrated hotel resort project “Ponte 16”
Early Success Limited (“Early Success”)	wholly owned	5/1/2006 British Virgin Islands	USD1	100%	–	Investment holding

The statutory financial statements of Pier 16 – Property Development and Pier 16 – Management for the Relevant Period were prepared in accordance with accounting principles generally accepted in Macau and were audited by Watt Hung Chow.

12. Other receivables

The Target Group

	At 31/12/2004 <i>MOP'000</i>	At 31/12/2005 <i>MOP'000</i>	At 30/9/2006 <i>MOP'000</i>
Deposits and prepayment	277	387	850
Other receivables	–	–	72
	<u>277</u>	<u>387</u>	<u>922</u>

Pier 16 – Property Development

	At 31/12/2004 <i>MOP'000</i>	At 31/12/2005 <i>MOP'000</i>	At 30/9/2006 <i>MOP'000</i>
Deposits and prepayment	277	277	277
Other receivables	–	–	70
	<u>277</u>	<u>277</u>	<u>347</u>

13. Other payables

The Target Group

	At 31/12/2004 <i>MOP'000</i> (restated)	At 31/12/2005 <i>MOP'000</i>	At 30/9/2006 <i>MOP'000</i>
Accruals	608	16,341	10,753
Retention payable	–	593	1,404
	<u>608</u>	<u>16,934</u>	<u>12,157</u>

Pier 16 – Property Development

	At 31/12/2004 MOP'000 (restated)	At 31/12/2005 MOP'000	At 30/9/2006 MOP'000
Accruals	608	16,130	9,976
Retention payable	–	593	1,404
	<u>608</u>	<u>16,723</u>	<u>11,380</u>

14. Due to immediate parent/shareholders/a fellow subsidiary/a related company

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

15. Obligations under finance leases

At balance sheet date, the Target Group had obligations under finance leases repayable as follows

	At 31/12/2004			At 31/12/2005			At 30/9/2006		
	Present value of the minimum lease payments MOP'000	Interest expense relating to future periods MOP'000	Total minimum lease payments MOP'000	Present value of the minimum lease payments MOP'000	Interest expense relating to future periods MOP'000	Total minimum lease payments MOP'000	Present value of the minimum lease payments MOP'000	Interest expense relating to future periods MOP'000	Total minimum lease payments MOP'000
Within 1 year	–	–	–	25	5	30	39	6	45
After 1 year but within 5 years	–	–	–	52	4	56	83	6	89
	<u>–</u>	<u>–</u>	<u>–</u>	<u>77</u>	<u>9</u>	<u>86</u>	<u>122</u>	<u>12</u>	<u>134</u>

16. Share capital

	At 31/12/2004 MOP'000	At 31/12/2005 MOP'000	At 30/9/2006 MOP'000
Authorised, issued and fully paid 100,000 ordinary shares of MOP100 each	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

17. Reserves

The Target Group

The account of the Target Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity of the financial statements.

Pier 16 – Property Development

The following is a summary of changes in equity of the Pier 16 – Property Development for the Relevant Period.

	Statutory reserve <i>MOP'000</i>	Accumulated losses <i>MOP'000</i>	Total <i>MOP'000</i>
Balance at 20 February 2004 (date of incorporation)	–	–	–
Loss for the period	–	(89)	(89)
Balance at 31 December 2004 and 1 January 2005	–	(89)	(89)
Profit for the year	–	18	18
Transfer to statutory reserve	6	(6)	–
Balance at 31 December 2005 and 1 January 2006	6	(77)	(71)
Profit for the period	–	40	40
Balance at 30 September 2006	<u>6</u>	<u>(37)</u>	<u>(31)</u>
Balance at 1 January 2005	–	(89)	(89)
Loss for the period	–	(122)	(122)
Balance at 30 September 2005 (unaudited)	<u>–</u>	<u>(211)</u>	<u>(211)</u>

The statutory reserve is a non-distributable reserve set aside from profit in accordance with the Commercial Code of Macau Special Administrative Region.

18. Commitments

a) Capital commitments

The Target Group

	At 31/12/2004 <i>MOP'000</i>	At 31/12/2005 <i>MOP'000</i>	At 30/9/2006 <i>MOP'000</i>
Authorised but not contracted for			
– Properties under development	–	2,051,904	1,139,842
Contracted but not provided for:			
– Properties under development	7,313	153,492	942,258

Pier 16 – Property Development

	At 31/12/2004 <i>MOP'000</i>	At 31/12/2005 <i>MOP'000</i>	At 30/9/2006 <i>MOP'000</i>
Authorised but not contracted for			
– Properties under development	–	2,051,904	1,139,842
Contracted but not provided for:			
– Properties under development	7,313	18,253	15,317

b) Operating lease commitments

The Target Group and Pier 16 – Property Development have the following commitments for future lease payments under non-cancellable operating leases which fall due as follows:

The Target Group

	At 31/12/2004 MOP'000	At 31/12/2005 MOP'000	At 30/9/2006 MOP'000
Not later than one year	277	277	1,170
Later than one year but not later than five years	1,107	1,107	1,780
Later than five years	5,536	5,292	5,016
	<u>6,920</u>	<u>6,676</u>	<u>7,966</u>

Pier 16 – Property Development

	At 31/12/2004 MOP'000	At 31/12/2005 MOP'000	At 30/9/2006 MOP'000
Not later than one year	277	277	277
Later than one year but not later than five years	1,107	1,107	1,107
Later than five years	5,536	5,292	5,016
	<u>6,920</u>	<u>6,676</u>	<u>6,400</u>

c) Other lease commitments

According to the lease concession from the Macau Government, the total land premium of Ponte 16 can be settled by cash and building of a new pier named “Ponte No. 11A”. The cash commitment was approximately MOP49,150,000, MOP32,767,000 and MOP Nil at 31 December 2004 and 2005 and 30 September 2006 respectively. At 30 September 2006, the authorised contract price for the new pier was approximately MOP17,024,000.

19. Related party transactions

- a) Amounts owing to immediate parent/shareholders/a fellow subsidiary are disclosed in note 14.
- b) The Target Group had bank savings and bank deposit of approximately MOP3,924,000 (31 December 2005: MOP64,098,000; 31 December 2004: MOP Nil) in and interest income of approximately MOP604,000 (31 December 2005: MOP289,000; 31 December 2004: MOP Nil) from Seng Heng Bank Limited, a fellow subsidiary of the Company.
- c) The Target Group had management fee expenses of approximately MOP2,391,000 (31 December 2005: MOP586,000; 31 December 2004: MOP Nil) and approximately MOP2,658,000 (31 December 2005: MOP305,000; 31 December 2004: MOP Nil) due to its immediate parent and a fellow subsidiary respectively. At 31 December 2005, amount of approximately MOP153,000 (31 December 2004: MOP Nil) was payable to the fellow subsidiary.
- d) The Target Group had construction fee of approximately MOP80,312,000 (31 December 2005: MOP4,452,000; 31 December 2004: MOP Nil) due to a related company. At the balance sheet date, amount of approximately MOP32,226,000 (31 December 2005: MOP4,452,000; 31 December 2004: MOP Nil) was payable to the related company. The related company is an associate of the immediate parent.

20. Immediate and ultimate controlling party

At 30 September 2006, the directors consider the immediate parent and the ultimate controlling party of the Target Group to be SJM – Investmentos Limitada and Sociedade de Turismo e Diversoes de Macau, S.A., respectively. Both entities were incorporated in Macau.

21. Comparative figures

Certain comparative figures have been restated and re-classified as a result of the changes in accounting policies

22. Possible impact of amendments, new standards and interpretations issued but not yet effective, for the year ended 30 september 2006

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

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments Disclosures ¹
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC)-Int 8	Scope of HKFRS ³
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives ⁴
HK (IFRIC) – Int 10	Interim Financial Reporting and Impairment ⁵

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 March 2006

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

⁵ Effective for annual periods beginning on or after 1 November 2006

G. SUBSEQUENT FINANCIAL INFORMATION

No dividend has been declared or paid by Pier 16 – Property Development subsequent to 30 September 2006.

CCIF CPA LIMITED

Certified Public Accountants

Hong Kong

Delores Teh

Practising Certificate Number P03207

**CCIF****CCIF CPA LIMITED**20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

The Directors
Macau Success Limited

29 January 2007

Dear Sirs,

We report on the unaudited pro forma statement of assets and liabilities of Macau Success Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 107 to 109 under the heading of “Unaudited Pro Forma Financial Information on the Enlarged Group” in Appendix III to the Company’s circular (the “Circular”) dated 29 January 2007 in connection with, inter alia, the acquisition of 12.25% equity interest in Pier 16 – Property Development Limited (“Pier 16 – Property Development”) by the Group. The unaudited pro forma statement of assets and liabilities of the Group after completion of the aforesaid acquisition (the “Enlarged Group”) has been prepared by the directors of the Company, for illustrative purpose only, to provide information on how the acquisition of 12.25% equity interest in Pier 16 – Property Development might have affected the relevant financial information of the Group. The basis of preparation of the unaudited pro forma statement of assets and liabilities of the Enlarged Group is set out on pages 107 to 109 of the Circular.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND
REPORTING ACCOUNTANTS**

It is the sole responsibility of the directors of the Company to prepare the unaudited pro forma statement of assets and liabilities of the Enlarged Group in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by Rule 4.29(7) of the Listing Rules, on the unaudited pro forma statement of assets and liabilities of the Enlarged Group and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma statement of assets and liabilities beyond that owed to those to whom the reports were addressed by us at the dates of the issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the pro forma statement of assets and liabilities with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pro forma statement of assets and liabilities of the Enlarged Group has been properly compiled by the directors of the Company on such basis which is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma statement of assets and liabilities of the Enlarged Group as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Enlarged Group as at 30 September 2006 or any future date.

OPINION

In our opinion:

- a) the unaudited pro forma statement of assets and liabilities of the Enlarged Group has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purpose of the unaudited pro forma statement of assets and liabilities of the Enlarged Group as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

CCIF CPA Limited

Certified Public Accountants

Hong Kong

Delores Teh

Practising Certificate Number P03207

**UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE
ENLARGED GROUP**

The accompanying unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared to illustrate the effect of the Group's proposed acquisition of the 12.25% equity interest in, and the related loan to, Pier 16 – Property Development Limited (the "Acquisition") for an aggregate consideration of HK\$200,000,000 as set out in the circular of the Company dated 29 January 2007. The consideration will be settled:

- (i) as to HK\$152,000,000 by cash; and
- (ii) as to HK\$48,000,000 by the allotment and issue of the shares of the Company (being 60,000,000 shares at an agreed issued price of HK\$0.80 per share).

The unaudited pro forma statement of assets and liabilities of the Enlarged Group was prepared based on the audited consolidated balance sheet of the Group as at 30 September 2006 extracted from the annual report of the Company for the year ended 30 September 2006 with adjustments to reflect the Acquisition and on the assumption that the Acquisition had been completed as at 30 September 2006.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is based on a number of assumptions. Accordingly, the accompanied unaudited pro forma statement of assets and liabilities of the Enlarged Group does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 30 September 2006. The unaudited pro forma statement of assets and liabilities of the Enlarged Group does not purport to predict the future position of the Enlarged Group.

This unaudited pro forma statement of assets and liabilities of the Enlarged Group was prepared by the directors of the Company for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group at any given date.

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION ON THE ENLARGED GROUP**

	The Group as at 30 September 2006	Pro forma adjustments		Pro forma Enlarged Group
	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	91,536	–	–	91,536
Goodwill	1,313	–	–	1,313
Interest in associates	376,015	200,000	800	576,815
Available-for-sale investment	25,239	–	–	25,239
	494,103	200,000	800	694,903
CURRENT ASSETS				
Inventories	1,178	–	–	1,178
Trade receivables and other receivables	13,509	–	–	13,509
Pledged bank deposits	729	–	–	729
Cash and cash equivalents	468,876	(152,000)	(800)	316,076
	484,292	(152,000)	(800)	331,492
CURRENT LIABILITIES				
Trade payables and other payables	6,047	–	–	6,047
Tax payable	157	–	–	157
	6,204	–	–	6,204
NET CURRENT ASSETS	478,088	(152,000)	(800)	325,288
TOTAL ASSETS LESS CURRENT LIABILITIES	972,191	48,000	–	1,020,191
NON-CURRENT LIABILITIES				
Loans from minority shareholders	5,056	–	–	5,056
Deferred tax liabilities	215	–	–	215
	5,271	–	–	5,271
NET ASSETS	966,920	48,000	–	1,014,920
CAPITAL AND RESERVES				
Issued capital	21,395	600	–	21,995
Reserves	905,221	47,400	–	952,621
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	926,616	48,000	–	974,616
MINORITY INTERESTS	40,304	–	–	40,304
TOTAL EQUITY	966,920	48,000	–	1,014,920

Notes

- (1) The adjustment reflects the total consideration of HK\$200,000,000 for the purchase of 12.25% equity interest in the issued share capital of, and the related loan to, Pier 16 – Property Development by the Group, which consideration would be satisfied as to HK\$152,000,000 by cash and as to HK\$48,000,000 by the allotment and issue of fully paid 60,000,000 ordinary shares with nominal value of HK\$0.01 each at HK\$0.80 per share. Share premium of HK\$47,400,000 is derived from the issue of 60,000,000 ordinary shares by the Company, which is calculated as the difference between the aggregate cash value of the shares issued at HK\$48,000,000 and the aggregate nominal value of the shares issued at HK\$600,000.
- (2) Being the expected expenses to be incurred in connection with the acquisition of 12.25% equity interest in, and the related loan to, Pier 16 – Property Development.



T: (852) 2801 6100
F: (852) 2530 0756

23/F Two Exchange Square
Central, Hong Kong

EA Licence: C-023750
savills.com

29 January 2007

The Directors
Macau Success Limited

Dear Sirs,

Ponte 16 Macau, Rua das Lorchas S/N, Rua do Visconde Paco de Arcos, Macao (the “property”)

In accordance with your instruction for us to value the above property interest in Macau Special Administrative Region (“Macao”), we confirm that we have made all relevant enquiries and obtained such information as we consider necessary for the purpose of providing you with our opinion on the value thereof as at 31 December 2006 (the “Valuation Date”) for acquisition purposes.

BASIS OF VALUATION

Our valuation is our opinion of the market value of the property concerned which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

Our valuation has been prepared in accordance with the HKIS Valuation Standards on Properties First Edition published by the Hong Kong Institute of Surveyors in 2005, the relevant provisions in the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

VALUATION METHODOLOGY

In our assessment, we have adopted the direct comparison method by reference to sales evidence as available on the market and our knowledge of the prevailing market condition assuming that vacant possession of the property interest would be readily available upon completion of a sale.

TITLE INVESTIGATION

We have caused searches to be made at the Conservatória do Registo Predial of Macao against the property. We have not, however, perused the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the property interest is sold in the genuine market in its existing state without the effect of any deferred term contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the value of the property interests. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property interest.

No site investigation has been carried out to determine the suitability of the ground condition or the services for any property development thereon. Our valuation is carried out on the assumptions that these aspects are satisfactory. We have also assumed that all consents, approvals and licenses from the relevant government authorities for the development proposal on the property have been or will be granted without onerous conditions or delay.

VALUATION CONSIDERATION

Having examined all relevant documentation, we have relied to a very considerable extent on the information given by Macau Success Limited (the “Company”), particularly in respect of planning approvals or statutory notices, development conditions, site area, plot ratio, gross floor area and saleable area, indicative cost estimate of the proposed residential development, and in the identification of the property in which the Company has valid interests.

Unless otherwise stated, all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and are therefore approximate. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, and have been advised by the Company that no material facts have been omitted from the information provided and have no reason to suspect that any material information has been withheld.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

All documents disclosed in the valuation certificate, if any, are for reference only and no responsibility is assumed for any legal matter concerning the legal title to the property interests set out in the valuation certificate.

Unless otherwise stated, the property value is denominated in Hong Kong Dollars. The exchange rate used in our valuation is HK\$1.00 to MOP1.03 which was the prevailing rate as at the Valuation Date.

Our valuation certificate is enclosed herewith.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services Limited
Charles CK Chan
Msc FRICS FHKIS MCI Arb RPS (GP)
Managing Director

Note:

Mr. Charles CK Chan is a chartered surveyor with over 20 years valuation experience on properties in Hong Kong, Macau and the PRC.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at 31 December 2006																				
<p>Ponte 16 Macau, Rua das Lorchas S/N, Rua do Visconde Paco de Arcos, Macao</p>	<p>The property will be developed into a tourist destination with hotel, casino, retail, food and beverage units, cinemas, food courts and outdoor performance spaces to be provided therein upon completion. Ancillary facilities such as car parking spaces will also be provided therein.</p> <p>The property comprises the whole Ponte 16 Macau with a site area of approximately 23,066 sq.m. (248,282 sq.ft.). Pursuant to the latest development proposal provided to us, the property will have a total gross floor area of approximately 126,500 sq.m. (1,361,646 sq.ft.). The hotel will accommodate approximately 423 guest rooms. The breakdown of the gross floor area of the property is tabulated as follows:</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th rowspan="2">Portion</th> <th colspan="2">Gross Floor Area</th> </tr> <tr> <th>(sq.m.)</th> <th>(sq.ft.)</th> </tr> </thead> <tbody> <tr> <td>Hotel</td> <td style="text-align: right;">41,056</td> <td style="text-align: right;">441,927</td> </tr> <tr> <td>Casino</td> <td style="text-align: right;">27,069</td> <td style="text-align: right;">291,371</td> </tr> <tr> <td>Commercial</td> <td style="text-align: right;">39,622</td> <td style="text-align: right;">426,491</td> </tr> <tr> <td>Carpark</td> <td style="text-align: right;">18,753</td> <td style="text-align: right;">201,857</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">126,500</td> <td style="text-align: right;">1,361,646</td> </tr> </tbody> </table>	Portion	Gross Floor Area		(sq.m.)	(sq.ft.)	Hotel	41,056	441,927	Casino	27,069	291,371	Commercial	39,622	426,491	Carpark	18,753	201,857	Total	126,500	1,361,646	<p>The property was under construction as at the Valuation Date.</p>	<p>HK\$1,750,000,000</p>
Portion	Gross Floor Area																						
	(sq.m.)	(sq.ft.)																					
Hotel	41,056	441,927																					
Casino	27,069	291,371																					
Commercial	39,622	426,491																					
Carpark	18,753	201,857																					
Total	126,500	1,361,646																					
	<p>As advised by the Company, the casino, is expected to be completed by June 2007 while the remaining portions are expected to be completed by March 2008.</p> <p>The property is held under Concessão por Arrendamento for a term of 25 years from 14 February 2005.</p> <p>The Government Rent payable for the property is MOP276,792 (equivalent to approximately HK\$268,730 per annum).</p>																						

Notes:

1. The current registered owner of the property is “Ponte 16 – Desenvolvimento Predial, S.A. (十六浦物業發展股份有限公司)”, whose name in English is “Ponte 16 – Property Development Limited”.
2. The property was granted by the Macao Government to Ponte 16 – Desenvolvimento Predial, S.A. (十六浦物業發展股份有限公司) under a Government Leasehold Concession (“Leasehold”) by public deed signed between the Macao Government and Ponte 16 – Desenvolvimento Predial, S.A. (十六浦物業發展股份有限公司), published under Dispatch no. 9/2005, in Official Gazette no.6-II dated 14 February 2005 and registered with the Macao Properties Registry under no. 30269F (the “Leasehold Contract”).
3. At the time of our recent title search, the property was subject to the following encumbrances:-
 - i An Excepção (抗辯) in favour of Ponte 16 – Desenvolvimento Predial, S.A. (十六浦物業發展股份有限公司) (Autores 原告) and Agência de Transporte de Passageiros Yuet Tung, Lda (粵通船務有限公司) (Réus 被告) vide 30696F registered on 26 September 2005 (Inscrição Provisória Por Natureza 性質臨時性登錄);
 - ii An Excepção (抗辯) in favour of Ponte 16 – Desenvolvimento Predial, S.A. (十六浦物業發展股份有限公司) (Autores 原告) and Ng Sut Fong (Réus 被告) vide 30700F registered on 26 September 2005 and was removed on 19 October 2005 (Inscrição Provisória Por Dúvidas 疑問臨時性登錄);
 - iii Remoção De Dúvidas (疑問之消除) vide CVI-05-0032-CAO dated 17 October 2005;
 - iv An Excepção (抗辯) in favour of Ponte 16 – Desenvolvimento Predial, S.A. (十六浦物業發展股份有限公司) (Autores 原告) and Fu Vai Leng (Réus 被告) vide 30741F registered on 24 October 2005 (Inscrição Provisória Por Natureza 性質臨時性登錄);
 - v An Excepção (抗辯) in favour of Ponte 16 – Desenvolvimento Predial, S.A. (十六浦物業發展股份有限公司) (Autores 原告) and Ng Sut Fong (Réus 被告) vide 31033F registered on 24 March 2006 and removed on 21 April 2006 (Inscrição Provisória Por Dúvidas 疑問臨時性登錄); and
 - vi Remoção De Dúvidas (疑問之消除) vide 22 dated 21 April 2006.

According to the legal advisers to Ponte 16 – Desenvolvimento Predial, S.A. (「十六浦物業發展股份有限公司」), the Réus 被告 mentioned in (i), (ii), (iv) and (v) submitted counterclaims to the Macao Court and registered with the Macao Properties Registry, challenging the lawfulness of the Dispatch no. 9/2005 approving the Leasehold Contract. The Public Prosecutor representing the Macao Government opposed the same on the ground that the Leasehold Contract was legal and valid. The legal advisers are of the view that the counterclaims made by such Réus 被告 are only defence to avoid eviction from the property and until final decision of the Macao Court, those counterclaims have no effect on the legal title of Ponte 16 – Desenvolvimento Predial, S.A. (「十六浦物業發展股份有限公司」) to the property under the Leasehold Contract.

4. According to the Government Lease dated 14 February 2005, the property is subject to, *inter alia*, the following terms and conditions:
- i. Gross floor area
 - a. Commercial: 25,833 sq.m.
 - b. Hotel (3-star): 23,457 sq.m.
 - c. Carpark: 14,294 sq.m.
 - d. Open Space: 10,731 sq.m.
 - ii. The facade and building height of the existing Ponte 16 building shall be retained.
 - iii. A new pier named "Ponte No. 11A" with gross floor area of approximately 1,234 sq.m. (12,283 sq.ft.) shall be built and erected between Ponte Nos. 11 and 12. The pier shall be handed over to the Government of Macao within 12 months after the date of announcement in the Macao Government Gazette.
 - iv. Building covenant
36 months commencing on 14 February 2005.
5. The gross floor area stated in the latest development proposal exceeds the permitted gross floor area as stated in the Government lease. In the course of our valuation, we have assumed that the Government of Macao has approved a modification of the government lease to allow such additional gross floor area and the requisite premium in this connection has been allowed in our valuation.
6. According to the Government lease, the total land premium is MOP89,876,351. As advised, the land premium and government rent as at 31 December 2006 was estimated at an amount of HK\$179,710,000 and an amount of approximately HK\$86,553,566 had been settled. In our valuation, the outstanding premium i.e. HK\$93,156,434 as of the Valuation Date has been deducted to arrive at the market value in its existing state.
7. The market value of the property, assuming full completion under the development proposal as described at the Valuation Date, would be approximately HK\$4,587,000,000.
8. According to the Qualified Quantity Surveyors' Report, the total construction costs of the proposed development on the property as at the Valuation Date will be approximately HK\$2,020,890,000 and as at the Valuation Date, the total expenditure of the works is approximately HK\$247,101,000.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information with regard to the Group contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement with regard to the Group contained in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules or which were required to be entered into the register required to be kept under Section 352 of the SFO, were as follows:

Interest in the Shares

Name of Director	Long position/ Short position	Nature of interest	Total number of Shares interested or deemed to be interested	Approximate percentage of shareholding %
Mr. Yeung Hoi Sing, Sonny (<i>Note</i>)	Long position	Corporate interest	987,841,432	46.17

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules or which were required to be entered into the register required to be kept under Section 352 of the SFO.

(b) Interests and short positions of substantial Shareholders and other persons required to be disclosed under the SFO

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Interest in the Shares

Name of substantial Shareholders	Long position/ Short position	Capacity	Number of Shares held	Approximate percentage of shareholding %
Silver Rich Macau Development Limited	Long position	Beneficial owner	987,841,432	46.17
Penta Investment Advisers Ltd	Long position	Investment manager	188,414,000	8.81
Mr. John Zwaanstra (Note 1)	Long position	Interest in controlled corporation	188,414,000	8.81
The Vendor	Long position	Beneficial owner	180,000,000 (Note 2)	8.41

Name of substantial Shareholders	Long position/ Short position	Capacity	Number of Shares held	Approximate percentage of shareholding %
Mr. Li Chi Keung (Note 3)	Long position	Interest in controlled corporation	180,000,000 (Note 2)	8.41
Ms. Wong Hoi Ping (Note 3)	Long position	Interest in controlled corporation	180,000,000 (Note 2)	8.41
Mr. Li Chu Kwan (Note 3)	Long position	Interest in controlled corporation	180,000,000 (Note 2)	8.41
Ms. Lau Man Wing, Catherine (Note 4)	Long position	Family interest	180,000,000 (Note 2)	8.41
PMA Capital Management Limited	Long position	Investment Manager	107,076,000	5.00

Notes:

- (1) Penta Investment Advisers Ltd is wholly-owned by Mr. John Zwaanstra and therefore he was deemed to have interest in 188,414,000 Shares.
- (2) These Shares include the 60,000,000 Consideration Shares to be allotted and issued to the Vendor upon Completion.
- (3) The Vendor is owned as to one-third by each of Mr. Li Chi Keung, Ms. Wong Hoi Ping and Mr. Li Chu Kwan and therefore they were deemed to have interest in 180,000,000 Shares.
- (4) Ms. Lau Man Wing, Catherine is the spouse of Mr. Li Chu Kwan.

Long positions in other members of the Group

Name of subsidiaries of the Company	Name of substantial shareholders	Number of shares held	Approximate percentage of the total issued share capital of the subsidiaries of the Company
Capture Success Limited	Summit Global International Limited	30	30%
Capture Success Limited	Mantovana Holdings Limited	15	15%

Save as disclosed above, as at the Latest Practicable Date, the Directors or chief executive of the Company were not aware of any other persons who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

3. LITIGATION

As at the Latest Practicable Date, none of the Company or any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and there was no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

4. COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors and their respective associates were considered to have any interest in any business, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

5. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by the Company or its subsidiaries which are or may be material:

- (1) a loan agreement dated 7 March 2005 entered into between Joyspirit Investments Limited (“Joyspirit”) as lender and King Seiner Palace Promotor De Jogos, Limitada (“King Seiner”, a company in which Mr. Yeung Hoi Sing, Sonny, the chairman of the Company, held 56% interest in its then entire issued share capital) as borrower in relation to the grant of the loan facility of HK\$50 million made available by Joyspirit to King Seiner;
- (2) an option deed dated 7 March 2005 entered into between Joyspirit and King Seiner in relation to the grant of option by King Seiner to Joyspirit requiring the allotment and issue by King Seiner of an option interest to Joyspirit or its nominee;
- (3) a conditional sale and purchase agreement dated 11 May 2005 entered into between the Purchaser and the Vendor in relation to the sale and purchase of the 12,250 shares of Pier 16 – Property Development and the interest free shareholder’s loan owing from Pier 16 – Property Development to the Vendor at an aggregate consideration of HK\$99.25 million;
- (4) a sale and purchase agreement dated 13 July 2005 entered into between Harvest Metro Corporation as vendor, Wing On Travel (Holdings) Limited as vendor’s guarantor and Top Region Assets Limited (“Top Region”), an indirect wholly-owned subsidiary of the Company, as purchaser in relation to the sale and purchase of 50 shares in Triumph Up Investments Limited (“Triumph Up”), representing approximately 8.13% of its then entire issued share capital, at the consideration of HK\$22.80 million;

- (5) a top-up subscription agreement dated 12 April 2006 entered into between the Company and Silver Rich Macau Development Limited (“Silver Rich”) whereby Silver Rich agreed to subscribe a maximum of 235,000,000 Shares as equal to the number of the Shares successfully placed by Grand Vinco Capital Limited (“Grand Vinco”) under the placing agreement dated 12 April 2006 entered into between Silver Rich and Grand Vinco;
- (6) a sale and purchase agreement dated 13 June 2006 (the “Sale and Purchase Agreement”) entered into between Top Region as vendor, China Star Entertainment Limited (“China Star”) as purchaser and the Company as Top Region’s guarantor in respect of the sale and purchase of the 50 shares in Triumph Up, representing approximately 8.13% of its then entire issued share capital, at the consideration of approximately HK\$36.11 million;
- (7) a deed of variation dated 31 October 2006 entered into between Top Region as vendor, China Star as purchaser and the Company as Top Region’s guarantor in respect of the extension of the long stop date under the Sale and Purchase Agreement;
- (8) the Agreement; and
- (9) a conditional subscription agreement dated 19 January 2007 entered into between Better Talent Limited (“Better Talent”), an indirect wholly-owned subsidiary of the Company, as subscriber and China Star as issuer in relation to the subscription by Better Talent of the convertible bond to be issued by China Star with a principal amount of HK\$12.5 million.

6. SERVICE CONTRACT

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors and the Company or any of its subsidiaries other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. PROCEDURES TO DEMAND A POLL BY THE SHAREHOLDERS AT THE SGM

According to bye-law no. 66 of the bye-laws of the Company, resolutions to be proposed at any general meeting of the Company will be put to the vote of the Shareholders on a show of hands unless voting by way of a poll is required by the rules of the Stock Exchange or a poll is demanded, before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll, by:

- (a) the chairman of such meeting; or
- (b) at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; or
- (e) if required by the rules of the Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing 5% or more of the total voting rights at such meeting.

A demand by a person as proxy for a Shareholder (or, in the case of a Shareholder being a corporation, by its duly authorised representative) shall be deemed to be the same as a demand by a Shareholder.

8. EXPERTS

The following are the qualifications of the experts who have been named in this circular or have given opinions or advices which are contained in this circular:

Name	Qualification
CCIF CPA Limited	Certified public accountants
Savills Valuation and Professional Services Limited	Property valuer

As at the Latest Practicable Date, CCIF CPA Limited and Savills were not beneficially interested in the share capital of any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group or any interest, either direct or indirect, in any assets which have been, since 30 September 2006, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. CONSENTS

CCIF CPA Limited and Savills have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion in this circular of the text of their letters and references to their names, in the form and context in which they were included.

10. MISCELLANEOUS

- (a) Save as disclosed herein, there were no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.
- (b) None of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries since 30 September 2006, the date to which the latest published audited consolidated financial statements of the Group were made up.
- (c) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business in Hong Kong is at Units 1002-05A, 10th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) The secretary of the Company is Ms. Chiu Nam Ying, Agnes, a qualified solicitor. The qualified accountant of the Company is Mr. Luk Sai Wai, Simon, a fellow member of The Association of Chartered Certified Accountants of the United Kingdom and an associate member of Hong Kong Institute of Certified Public Accountants.
- (f) The English language texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese language texts.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from 9:30 a.m. to 5:30 p.m., Monday to Friday at the head office and principal place of business of the Company in Hong Kong at Units 1002-05A, 10th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the SGM and at the SGM:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the annual reports of the Company for the two years ended 30 September 2006;
- (c) the accountants' report on Pier 16 – Property Development, the text of which is set out in Appendix II to this circular;
- (d) the letter from CCIF CPA Limited setting out their opinion on the unaudited pro forma statement of assets and liabilities of the Enlarged Group, the text of which is set out in Appendix III to this circular;
- (e) the letter and valuation certificate relating to the Property Valuation, the text of which is set out in Appendix IV to this circular;
- (f) the material contracts referred to in the paragraph headed “Material Contracts” in this Appendix; and
- (g) the written consents referred to in the paragraph headed “Consents” in this Appendix.

NOTICE OF SGM



MACAU SUCCESS LIMITED

澳門實德有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0487)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of the shareholders of Macau Success Limited (the “Company”) will be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 15 February 2007 at 2:30 p.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**–

- (a) the entering into of the conditional agreement for sale and purchase dated 30 November 2006 (the “S&P Agreement”, which expression includes any amendment or supplement thereto), a copy of which has been produced to the meeting marked “A” and initialled by the Chairman of the meeting for the purpose of identification, between Joy Idea Investments Limited (the “Vendor”) as vendor and World Fortune Limited (the “Purchaser”), an indirect wholly-owned subsidiary of the Company, as purchaser, whereby the Vendor has agreed to sell, and the Purchaser has agreed to purchase, 12.25% of the entire issued share capital of, and the related shareholder loan to, Ponte 16 – Desenvolvimento Predial, S.A. (whose name in English is “Pier 16 – Property Development Limited”) (“Ponte 16”), beneficially owned by the Vendor at an aggregate consideration of HK\$200,000,000 (the “Consideration”), upon the terms and subject to the conditions therein contained, be and is hereby approved, confirmed and ratified and all transactions contemplated under the S&P Agreement be and are hereby approved;

* *For identification purpose only*

NOTICE OF SGM

- (b) conditional upon completion of the S&P Agreement, the directors of the Company be and are hereby authorised to allot and issue 60,000,000 shares of HK\$0.01 each in the share capital of the Company as fully paid at an agreed issued price of HK\$0.80 per share to the Vendor or its nominee in partial settlement of the Consideration;
- (c) the provision of additional shareholder's loan by the Purchaser to Ponte 16 as a result of completion of the S&P Agreement be and is hereby approved; and
- (d) any one director of the Company be and is hereby authorised for and on behalf of the Company to do all acts and things and execute and deliver all documents whether under the common seal of the Company or otherwise as may be necessary, desirable or expedient to carry out or to give effect to any or all transactions contemplated under the S&P Agreement and the provision of additional shareholder's loan by the Purchaser to Ponte 16.”

By Order of the board of directors of
MACAU SUCCESS LIMITED
Chiu Nam Ying, Agnes
Company Secretary

Hong Kong, 29 January 2007

*Head office and principal place of
business in Hong Kong:*

Units 1002-05A, 10th Floor
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

NOTICE OF SGM

Notes:

1. A shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxy(ies) to attend and vote in his/her stead. A proxy need not be a shareholder of the Company, but must attend the meeting in person to represent him/her.
2. A form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon.
3. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting concerned and, in such event, his/her form of proxy shall be deemed to have been revoked.
4. In the case of joint holders of any share of the Company, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, then the one of such holders whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased shareholder in whose name any share of the Company stands shall for this purpose be deemed joint holders thereof.
5. At the meeting, the chairman thereof will exercise his power under bye-law no. 66 of the bye-laws of the Company to put the above resolution to the vote of the shareholders of the Company by way of a poll.