THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any 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 is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities in Macau Success Limited.

MACAU SUCCESS LIMITED

澳 門 實 德 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00487)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION – PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SMART CLASS ENTERPRISES LIMITED

Financial adviser to Macau Success Limited

taifook

TAIFOOK CAPITAL LIMITED

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

Access Capital

A letter from the Board is set out on pages 5 to 16 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 17 to 18 of this circular. A letter from Access Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 30 of this circular.

A notice convening the SGM to be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 27 June 2008, at 2:30 p.m. is set out on pages 206 to 208 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's branch share registrar in Hong Kong, Tricor 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 the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

28 May 2008

* *For identification purpose only*

CONTENTS

DEFINITION

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

"Access Capital"	:	Access Capital Limited, a licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the S&P Agreement and the transactions contemplated thereunder
"Acquisition"	:	the proposed acquisition of the Sale Share by the Company or its nominee from the Vendor pursuant to the S&P Agreement
"associate(s)"	:	has the meaning ascribed to it under the Listing Rules
"Board"	:	the board of Directors
"Business"	:	the business of air travel consolidator, travel agent, tour provider and provider of related services in Canada and US
"Business Day"	:	a day (excluding Saturday and other general holidays and any day on which a tropical cyclone warning no.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon during a typhoon or on which a black rainstorm warning is issued or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong
"BVI"	:	British Virgin Islands
"CAD"	:	Canadian dollars, the lawful currency of Canada
"Company"	:	Macau Success Limited (Stock Code: 00487), a company incorporated in Bermuda with limited liability and the issued Shares are listed on the Main Board of the Stock Exchange

"Completion"	:	completion of the Acquisition
"connected person(s)"	:	has the meaning ascribed to it under the Listing Rules
"Consideration"	:	CAD2,900,000 (equivalent to approximately HK$22,620,000), being the purchase price for the Sale Share
"Consideration Shares"	:	19,500,000 new Shares to be allotted and issued by the Company to the Vendor or its nominee as fully paid at an agreed issue price of HK$1.16 per Share upon Completion in full settlement of the Consideration
"controlling shareholder"	:	has the meaning ascribed to it under the Listing Rules
"Director(s)"	:	director(s) of the Company
"Enlarged Group"	:	the Company and its subsidiaries immediately after Completion, which shall include the Smart Class Group
"Group"	:	the Company and its subsidiaries before Completion
"HK$"	:	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	:	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	:	an independent committee of the Board, comprising all independent non-executive Directors, established by the Board to advise the Independent Shareholders regarding the S&P Agreement and the transactions contemplated thereunder
"Independent Shareholders"	:	Shareholders other than Mr. Yeung and his associates
"Independent Third Parties"	:	persons or companies who/which are independent of the Company and its connected persons
"Jade Travel Group"	:	companies incorporated in Canada or US, owned as to 80% beneficially and indirectly by Smart Class and as to 20% by Independent Third Parties, which conduct the Business

"Last Trading Day"	:	5 May 2008, being the last trading day of the Shares immediately prior to the suspension of trading in the Shares on the Stock Exchange pending the release of the announcement of the Company dated 7 May 2008 in relation to the Acquisition
"Latest Practicable Date"	:	26 May 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information set out in this circular
"Listing Rules"	:	the Rules Governing the Listing of Securities on the Stock Exchange
"MOP"	:	Macau Pataca, the lawful currency of Macau
"Macau"	:	the Macau Special Administrative Region of the PRC
"Maruhan"	:	Maruhan Corporation, a company incorporated in Japan which is principally engaged in the operation of entertainment facilities such as pachinko parlors, bowling alleys, golf driving ranges, amusement facilities, cinemas and other leisure-related business in Japan
"Mr. Yeung"	:	Mr. Yeung Hoi Sing, Sonny, an executive Director and a controlling Shareholder
"PRC"	:	the People's Republic of China, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
"Ponte 16"	:	a world-class integrated resort in Macau that will comprise a five-star hotel, casino, shopping arcade, food and beverage functions as well as recreational facilities
"S&P Agreement"	:	the conditional sale and purchase agreement dated 5 May 2008 entered into between the Company as purchaser, the Vendor as vendor and Mr. Yeung as the Vendor's guarantor in respect of the Acquisition
"SFO"	:	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong

"SGM"	:	special general meeting of the Company to be held to consider and, if thought fit, to approve the entering into of the S&P Agreement, the allotment and issue of the Consideration Shares and the performance of the transactions contemplated under the S&P Agreement
"Sale Share"	:	the entire issued share capital of Smart Class
"Share(s)"	:	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	:	holder(s) of Share(s)
"Smart Class"	:	Smart Class Enterprises Limited, a company incorporated in the BVI with limited liability which was beneficially wholly-owned by the Vendor as at the Latest Practicable Date
"Smart Class Group"	:	Smart Class and its subsidiaries
"Stock Exchange"	:	The Stock Exchange of Hong Kong Limited
"US"	:	the United States of America
"US$"	:	United States dollars, the lawful currency of US
"Vendor"	:	Star Spangle Corporation, a company incorporated in the BVI with limited liability which was beneficially wholly-owned by Mr. Yeung as at the Latest Practicable Date
"%"	:	per cent.

Unless otherwise specified in this circular, translations of CAD and US$ into HK$ are made in this circular, for illustration only, at the rates of CAD1.00 to HK$7.80 and US$1.00 to HK$7.80 respectively. No representation is made that any amounts in CAD or US$ could have been or could be converted at these rates or any other rates or at all.

MACAU SUCCESS LIMITED
澳門實德有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 00487)

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

Non-executive Director:
Mr. Choi Kin Pui, Russelle

Independent non-executive Directors:
Mr. Luk Ka Yee, Patrick
Mr. Yim Kai Pung
Ms. Yeung Mo Sheung, Ann

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Suite 1601-2 & 8-10
16th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

28 May 2008

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION – PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SMART CLASS ENTERPRISES LIMITED

INTRODUCTION

On 7 May 2008, the Company announced that, among others, the Vendor and the Company entered into the S&P Agreement pursuant to which the Company conditionally agreed to purchase, or procure the purchase of, and the Vendor conditionally agreed to sell, the Sale Share at the Consideration which would be satisfied upon Completion by issuing 19,500,000 new Shares at an agreed issue price of HK$1.16 per Share by the Company to the Vendor or its nominee.

* *For identification purpose only*

As at the Latest Practicable Date, the principal asset of Smart Class is its 80% effective equity interest in the Jade Travel Group. Upon Completion, Smart Class will become a wholly-owned subsidiary of the Company and the Company will indirectly hold 80% equity interest in the Jade Travel Group.

The purpose of this circular is to provide the Shareholders with further information on the Acquisition, a letter of recommendation from the Independent Board Committee, a letter of advice from Access Capital, a notice of the SGM to be held on 27 June 2008 at which to consider and, if thought fit, to approve the entering into of the S&P Agreement, the allotment and issue of the Consideration Shares and the performance of the transactions contemplated under the S&P Agreement, and all other information required by the Listing Rules.

THE S&P AGREEMENT

Date

5 May 2008

Parties

Purchaser:	The Company
Vendor:	Star Spangle Corporation, an investment holding company beneficially wholly-owned by Mr. Yeung
Vendor's guarantor:	Mr. Yeung

Mr. Yeung has agreed to guarantee the performance and observance of the obligations of the Vendor under the S&P Agreement.

Assets to be acquired

The Sale Share, being the entire issued share capital of Smart Class.

Consideration

The Consideration of CAD2,900,000 (equivalent to approximately HK$22,620,000) shall be satisfied by the Company upon Completion by the allotment and issue of the 19,500,000 Consideration Shares at an agreed issue price of HK$1.16 per Share by the Company to the Vendor or its nominee as it may direct in writing.

The Consideration was arrived at after arm's length negotiation between the Vendor and the Company with reference to the price earning ratio of the Smart Class Group and the synergistic effect between the Group and the Smart Class Group. Given that the nature of business of the Smart Class Group is not a business that requires a lot of asset-backing, the Directors considered that the use of price earning ratio as the basis to determine the Consideration was a more appropriate benchmark than others.

When determining the Consideration, the Directors had, among others, taken into account the price earning ratios of YTB International, Inc., Ambassadors Group, Inc. and Travelstar, Inc. which are companies listed in US and engaged in travel agency and related business. Based on the respective closing prices of the shares of the aforesaid companies as at 30 April 2008, the historical price earning ratios were approximately 72, 13 and 15 times respectively with a simple average of approximately 33 times, which was higher than the price earning ratio of approximately 17 times of the Smart Class Group.

Conditions precedent

Completion shall be conditional upon, inter alia:

(a) the passing of an ordinary resolution by the Shareholders (other than those who are required to abstain from voting under the Listing Rules) at the SGM approving the entering into of the S&P Agreement, the allotment and issue of the Consideration Shares by the Company to the Vendor or its nominee and the performance of the transactions contemplated under the S&P Agreement by the Company;

(b) the Company notifying the Vendor in writing that it is reasonably satisfied with the due diligence review and investigation on the Smart Class Group including without limitation to its assets, liabilities, contracts, commitments, business, financial, legal and taxation aspects;

(c) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares; and

(d) the Company having received legal opinions relating to the shareholding interests in the respective members of the Smart Class Group, the establishment and existence of the respective members of the Smart Class Group in their places of incorporation, the business of each member of the Smart Class Group, the validity of all authorizations including, but not limited to, permits, licence, consent and approval necessary for the operation of the Business and other matters as the Company may reasonably require from a qualified lawyer in each of the BVI, Canada and New York to be approved by the Company and at the sole costs and expenses of the Vendor and such legal opinions shall be in such form and substance reasonably acceptable to the Company.

The Company may in its absolute discretion at any time before Completion waive the conditions precedent (b) and (d) set out above by notice in writing to the Vendor. If any of the conditions precedent set out in the S&P Agreement has not been fulfilled or waived (as applicable) by 30 September 2008 or such other date as the Vendor and the Company may agree in writing, either the Vendor or the Company shall be entitled to rescind the S&P Agreement by giving written notice to the other.

Completion

Subject to all the conditions precedent set out in the S&P Agreement being fulfilled or waived (as applicable), Completion shall take place at or before 5:00 p.m. on the third Business Day after the fulfillment or waiver (if applicable) of all such conditions precedent, or such other date as the Vendor and the Company may agree in writing.

INFORMATION ON THE SMART CLASS GROUP

Smart Class is an investment holding company which was incorporated in the BVI with limited liability and is indirectly interested in 80% of the issued share capital of the Jade Travel Group. Upon Completion, Smart Class will become a wholly-owned subsidiary of the Company and the Company will indirectly hold 80% equity interest in the Jade Travel Group. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the ultimate beneficial owners of the remaining 20% equity interest in the Jade Travel Group are Independent Third Parties.

The total investment cost of the Vendor in Smart Class was approximately CAD4.7 million (equivalent to approximately HK$36.7 million). The investment was made by the Vendor in January 2003.

The Jade Travel Group has been established for over 30 years and has offices located in Vancouver, Calgary, Toronto and Montreal in Canada, and also New York in US. It is a major air travel consolidator offering travellers competitive fares to Asia and the other parts of the world. The Jade Travel Group is also principally engaged in the business of tour operator offering complex travel plans and competitive tour packages to travel customers in Canada and US. It specialises in arranging private tours that are tailor-made for customers.

The Smart Class Group had an audited consolidated net assets value (after minority interests) of approximately CAD553,000 (equivalent to approximately HK$4,313,000) as at 31 December 2007. The audited consolidated financial results of the Smart Class Group prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants for each of the two years ended 31 December 2007 are set out below:

	2007	**2007**	**2006**	**2006**
	CAD'000	*HK$'000*	*CAD'000*	*HK$'000*
Turnover	217,489	1,696,414	225,475	1,758,705
Net profit before taxation and minority interests	344	2,683	74	577
Net profit/(loss) after taxation and minority interests	174	1,357	(36)	(281)

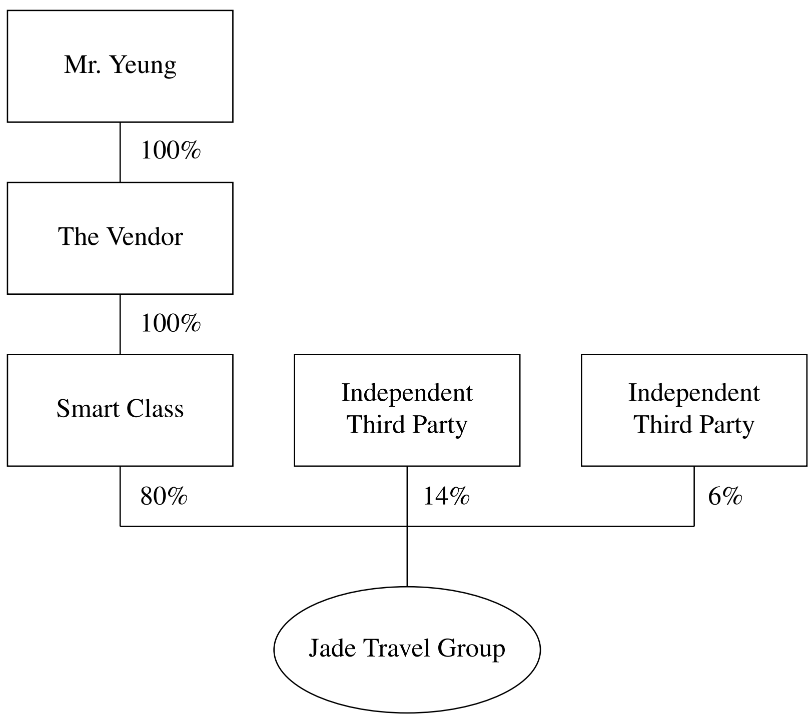
The turnaround of the Smart Class Group's results in 2007 are mainly due to the reduction in staff costs together with the decrease in courier expenses as a result of using electronic tickets.

As at the Latest Practicable Date, an amount of approximately CAD2,674,000 (equivalent to approximately HK$20,857,000) was owing by Smart Class to the Vendor which is unsecured and charged with interest at the rate of 4% per annum from the date of Completion to the date of full repayment. The amount represents funding advanced by the Vendor to finance the operation of the Smart Class Group and hence the Jade Travel Group. The aforesaid amount and all interests to be accrued thereon shall be paid by Smart Class to the Vendor upon the Vendor serving a notice of not less than 14 days on Smart Class, which notice shall only be served by the Vendor on Smart Class after the first anniversary of the date of Completion.

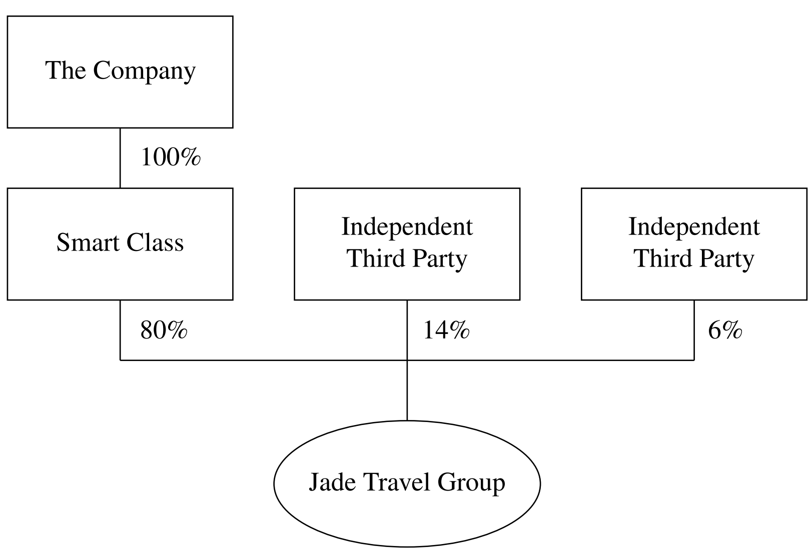
SIMPLIFIED SHAREHOLDING STRUCTURE OF THE SMART CLASS GROUP

The simplified shareholding structures of the Smart Class Group immediately before and after Completion are illustrated as follows:

Existing structure



Immediately after Completion



THE CONSIDERATION SHARES

The 19,500,000 Consideration Shares represent approximately 0.81% of the existing issued share capital of the Company and approximately 0.80% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. The Consideration Shares shall rank pari passu in all respects among themselves and with the Shares in issue on the date of such allotment and issue. Application will be made to the Stock Exchange by the Company for the listing of, and permission to deal in, the Consideration Shares to be issued.

Issue price

The issue price of HK$1.16 per Consideration Share represents:

(a) the closing price of HK$1.16 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a premium of approximately 4.5% over the average closing price of approximately HK$1.11 per Share for the last 5 consecutive trading days up to and including the Last Trading Day as quoted on the Stock Exchange;

(c) a premium of approximately 8.4% over the average closing price of approximately HK$1.07 per Share for the last 30 consecutive trading days up to and including the Last Trading Day as quoted on the Stock Exchange;

(d) a premium of approximately 3.6% over the closing price of HK$1.12 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and

(e) a premium of approximately 163.6% over the audited consolidated net assets value per Share of approximately HK$0.44 as at 30 September 2007.

The Directors consider that the terms of the Acquisition, including the Consideration and the issue price for the Consideration Shares of HK$1.16 each, which was determined with reference to the then prevailing closing prices of the Shares prior to the Last Trading Day, are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the effect of the issue of the Consideration Shares on the shareholding structure of the Company assuming that there is no change in the issued share capital and the shareholding structure of the Company from the Latest Practicable Date to immediately before Completion:

	As at the Latest Practicable Date		**Upon Completion**	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*
Mr. Yeung and his associates *(Note 1)*	987,841,432	40.8	1,007,341,432	41.3
Maruhan *(Note 2)*	440,000,000	18.2	440,000,000	18.0
Public Shareholders	991,622,801	41.0	991,622,801	40.7
Total	2,419,464,233	100.0	2,438,964,233	100.0

Note 1: As at the Latest Practicable Date, 987,841,432 Shares were 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. Upon Completion, the Consideration Shares will be held by the Vendor or its nominee.

Note 2: Maruhan is a company incorporated in Japan and principally engaged in the operation of entertainment facilities such as pachinko parlors, bowling alleys, golf driving ranges, amusement facilities, cinemas and other leisure-related business in Japan.

The allotment and issue of the Consideration Shares to the Vendor in full settlement of the Consideration upon Completion will not result in a change in control of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and its principal subsidiaries are engaged in the leasing and management of cruise and other tourist-related business.

Following the more developed gaming industry in Macau, it is observed that more tourists from North America are interested in having vacations in the Asia Pacific region, including Macau. According to the February 2008 issue of the Monthly Bulletin of the Statistics and Census Service in Macau, the number of visitors of Americas increased from 219,610 in 2006 to 306,294 in 2007, representing 39% increment in 2007. The Directors consider that the Acquisition is in line with the Group's strategy to develop its travel business into a platform to bring in new high-end customers from the North America region to the Asia-Pacific region.

Currently, the Group's travel business consists of two travel agency companies, one in Hong Kong and one in Macau. Through these companies, the Group is able to offer a wide range of one-stop travel services to travellers, in particular tourists to Macau. After Completion, the Jade Travel Group will become part of the Enlarged Group's travel business and the Enlarged Group's offices located in Canada, US, Hong Kong and Macau will form a new platform which offer private tours and travel plans to tourists to and from these locations such that the economies of scale and operational efficiency of the Enlarged Group's travel business will be enhanced and improved respectively.

The Group dedicates its resources to promoting and developing Ponte 16 which includes casino, hotel and food and beverages facilities to become a world-class and well known holiday and entertainment resort in Asia. To broaden the customer and revenue base of Ponte 16, the Group has invited Maruhan, which has subsequently become a substantial Shareholder (as defined under the Listing Rules), to be a strategic investor of Ponte 16 in October 2007. The travel business in Japan has great potential for further development as it has been a popular tourist destination and its popularity has grown continuously over the past years. Leveraging on the extensive experience of the Group's Japanese partners in entertainment industry and business network in Japan, the Group may further explore its travel business and entertainment related business opportunities in Japan.

Coupled with the confidence in Macau's economy in particular its tourism industry, the Directors consider that the Acquisition can strengthen the Group's travel business and will enhance the business of Ponte 16, the Group's flagship integrated casino-resort project. Accordingly, the Directors consider that the Acquisition is in the interests of the Group and the Shareholders as a whole.

FINANCIAL IMPACT OF THE ACQUISITION

Upon Completion, Smart Class will become a wholly-owned subsidiary of the Company and the financial results of the Smart Class Group will be consolidated with those of the Group.

Set out in Appendix IV to this circular is the unaudited pro forma financial information of the Enlarged Group illustrating the financial impact of the Acquisition on the results, assets and liabilities of the Group.

Based on the unaudited pro forma consolidated balance sheet as set out in Appendix IV to this circular, the total assets of the Group would increase by approximately 7.2% from HK$1,197 million to HK$1,283 million; and its total liabilities would increase by approximately 35.9% from HK$170 million to HK$231 million, as a result of Completion. The Directors consider that the Acquisition will contribute to the earnings base of the Enlarged Group but the extent of such impact will depend on the future performance of the Smart Class Group.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THE ANNOUNCEMENT IN RELATION TO THE ACQUISITION

In October 2007, the Company raised net proceeds of approximately HK$229 million by allotment and issue of 220,000,000 Shares at HK$1.062 per Share to Maruhan for the general working capital of the Group. All such net proceeds were utilized for the construction and development of Ponte 16.

GENERAL

The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules. As the Vendor is beneficially wholly-owned by Mr. Yeung, who is an executive Director and a controlling Shareholder, the Vendor is a connected person of the Company under the Listing Rules. The Acquisition therefore also constitutes a connected transaction for the Company under the Listing Rules. Accordingly, Completion is subject to, among other things, approval of the S&P Agreement by the Independent Shareholders at the SGM.

The Independent Board Committee has been established to make recommendation to the Independent Shareholders regarding the S&P Agreement and the transactions contemplated thereunder. Access Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the S&P Agreement and the transactions contemplated thereunder.

Pursuant to the requirements of the Listing Rules, the votes of the Independent Shareholders at the SGM will be taken by poll. Given that the Vendor was beneficially wholly-owned by Mr. Yeung, and Mr. Yeung and his associates were interested in 987,841,432 Shares as at the Latest Practicable Date, Mr. Yeung and his associates shall abstain from voting on the proposed resolution to approve the entering into of the S&P Agreement, the allotment and issue of the Consideration Shares and the performance of the transactions contemplated under the S&P Agreement at the SGM.

SGM

The SGM will be convened and held to consider and, if thought fit, to approve the entering into of the S&P Agreement, the allotment and issue of the Consideration Shares and the performance of the transactions contemplated under the S&P Agreement. A notice convening the SGM to be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 27 June 2008, at 2:30 p.m. is set out on pages 206 to 208 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the office of the Company's branch share registrar in Hong Kong, Tricor 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 the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

PROCEDURES FOR DEMANDING A POLL

Pursuant to bye-law 66 of the bye-laws of the Company, a Shareholder (including a proxy), when voting on a poll at a Shareholders' general meeting, may exercise such voting rights as attached to the number of voting Shares which he represents.

At any Shareholders' general meeting, a resolution shall be decided on a show of hands unless as may from time to time voting by way of a poll is required under the Listing Rules 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):

(a) by the chairman of the meeting; or

(b) by at least three Shareholders present in person or by proxy entitled to vote thereat; or

(c) by one or more Shareholders present in person or by proxy and representing 10% or more of all Shares carrying the right to vote at the meeting; or

(d) by one or more Shareholders present in person or by proxy and holding Shares conferring a right to vote at the meeting, on which an aggregate sum has been paid up equal to 10% or more of the total sum paid up of all Shares conferring that right.

In accordance with Rule 13.39(4) of the Listing Rules, the proposed resolution to approve the entering into of the S&P Agreement, the allotment and issue of the Consideration Shares and the performance of the transactions contemplated under the S&P Agreement shall be decided on a poll.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors) consider that the terms of the S&P Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interests of the Shareholders and the Group as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the entering into of the S&P Agreement, the allotment and issue of the Consideration Shares and the performance of the transactions contemplated under the S&P Agreement.

ADDITIONAL INFORMATION

Your attention is drawn to (a) the letter of recommendation from the Independent Board Committee to the Independent Shareholders regarding the Acquisition as set out on pages 17 to 18 of this circular; (b) the letter of advice from Access Capital to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition as set out on pages 19 to 30 of this circular; (c) certain financial information relating to the Group, the Smart Class Group and the Enlarged Group as set out in Appendices I, II and IV respectively to this circular; and (d) information as set out in the other appendices to this circular.

Yours faithfully,
By Order of the Board of
MACAU SUCCESS LIMITED
Ma Ho Man, Hoffman
Executive Director

The following is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this circular.

MACAU SUCCESS LIMITED
澳門實德有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 00487)

28 May 2008

To the Independent Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION
AND
CONNECTED TRANSACTION**

We refer to the circular of the Company to the Shareholders dated 28 May 2008 (the "Circular"), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the terms of the S&P Agreement and the transactions contemplated thereunder. Access Capital has been appointed as the independent financial adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out in their letter contained in the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendices thereto.

* *For identification purpose only*

Having considered the terms of the S&P Agreement and the transactions contemplated thereunder and taking into account the independent advice of Access Capital, in particular the principal factors, reasons and recommendation as set out in their letter contained in the Circular, we consider that (i) the terms of the S&P Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the S&P Agreement is in the interests of the Group and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the entering into of the S&P Agreement, the allotment and issue of the Consideration Shares and the performance of the transactions contemplated under the S&P Agreement.

Yours faithfully,
Independent Board Committee
Luk Ka Yee, Patrick **Yim Kai Pung** **Yeung Mo Sheung, Ann**
Independent non-executive Directors

The following is the text of the letter of advice from Access Capital to the Independent Board Committee and the Independent Shareholders with regard to the terms of the S&P Agreement and the transactions contemplated thereunder prepared for the purpose of incorporation in this circular.

Access Capital

Suite 606, 6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

28 May, 2008

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION – PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SMART CLASS ENTERPRISES LIMITED

I. INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the S&P Agreement and the transactions contemplated thereunder. Details of the Acquisition are contained in the "Letter from the Board" in the circular of the Company to the Shareholders dated 28 May 2008 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise specifies.

The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules. As the Vendor is beneficially wholly-owned by Mr. Yeung, who is an executive Director and a controlling Shareholder, the Vendor is a connected person of the Company under the Listing Rules. The Acquisition therefore also constitutes a connected transaction for the Company under the Listing Rules. Accordingly, the Acquisition is subject to the approval of the Independent Shareholders by way of poll at the SGM. Mr. Yeung and his associates who were interested in 987,841,432 Shares as at the Latest Practicable Date shall abstain from voting on the proposed resolution to approve the S&P Agreement, the transactions contemplated thereunder and the allotment and issue of the Consideration Shares.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of three executive Directors, namely Mr. Yeung, Mr. Lee Siu Cheung and Mr. Ma Ho Man, Hoffman; a non-executive Director, Mr. Choi Kin Pui, Russelle; and three independent non-executive Directors, namely Mr. Luk Ka Yee, Patrick, Mr. Yim Kai Pung and Ms. Yeung Mo Sheung, Ann.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Luk Ka Yee, Patrick, Mr. Yim Kai Pung and Ms. Yeung Mo Sheung, Ann, has been established to consider the terms of the S&P Agreement and the transactions contemplated thereunder.

We have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the S&P Agreement and the transactions contemplated thereunder were agreed on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole and to give our opinion in these respects for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders.

III. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations for matters relating to the Group contained in the Circular and the information and representations provided to us by the Group and/or its senior management staff and/or the Directors. We have assumed that all such statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular or otherwise provided or made or given by the Group and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations for matters relating to the Group made or provided by the Directors and/or the senior management staff of the Group contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Group and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents which are available to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Company or any of its subsidiaries. We have taken all reasonable steps as required under Rule 13.80 of the Listing Rules including the notes.

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Principal activities and business strategy of the Group

The Group is principally engaged in the leasing and management of cruise and other tourist-related business. Set out below are the financial highlights on the Group for the two years ended 30 September 2007.

	For the year ended 30 September			
	2007		**2006**	
	HK$'000		*HK$'000*	
	(Audited)		(Audited)	
	Turnover	**Segment results**	**Turnover**	**Segment results**
– Cruise leasing and management	95,901	32,035	95,717	45,046
– Travel	7,853	(513)	7,813	(459)
Total turnover	103,754		103,530	
Other revenue	30,693		24,983	
Profit for the year	16,272		48,159	

For the year ended 30 September 2007, the Group's turnover remained stable at approximately HK$103.8 million (2006: HK$103.5 million) whereas profit for the year decreased by approximately 66.2% to HK$16.3 million (2006: HK$48.2 million). According to the management of the Company, decrease in the Group's profit was mainly due to increase in fuel oil price and operating costs during the year which had adversely affected the Group's cruise leasing and management operation. As reviewed from the above, the segment results for the Group's cruise leasing and management operations dropped by approximately 28.9% to HK$32.0 million. On the other hand, the Group's travel business recorded losses for the two years ended 30 September 2007. As explained by the management of the Company, the travel industry is characterized by a lean profit margin and is a volume driven business. The losses in the Group's travel business were attributed to the fixed costs such as salaries and rentals incurred while the business volume had been relatively low. The decrease in the Group's profit for the year ended 30 September 2007 was also attributed to the significant increase in sharing loss from associates from approximately HK$0.4 million in 2006 to approximately HK$15.5 million in 2007 as a result of pre-operating expenses incurred in Ponte 16. Other revenues of the Group increased by approximately 22.9% to HK$30.7 million in 2007 comprising mostly of disposal gains on listed and unlisted securities, interest income and management income.

Cruise Business

The Group currently owns 55% interest in the M.V. Macau Success which is a cruise ship with casino and various entertainment facilities. The cruise has 224 passenger rooms with a maximum holding capacity of over 500 passengers and operates daily from Hong Kong to various locations in international water. For the year ended 30 September 2007, the cruise business accounted for approximately 92.4% of the Group's total turnover (2006: approximately 92.5%).

Travel Business

The Group has two travel agency companies in Hong Kong and Macau respectively to offer a wide range of one-stop travel services to travelers, in particular to Macau. For the year ended 30 September 2007, the travel business accounted for approximately 7.6% of the Group's total turnover (2006: approximately 7.5%).

Ponte 16

Ponte 16 is an investment project in which the Group owns an attributable interest of approximately 44% and is an integrated casino-resort in Macau. With its partial grand opening on 1 February 2008, Ponte 16 will comprise a five-star hotel, casino, shopping arcade, food and beverage as well as recreational facilities. The other investors of Ponte 16 are Sociedade de Jogos De Macau, S.A. and Maruhan. As stated in the "Letter from the Board" in the Circular, Maruhan is a company incorporated in Japan and principally engaged in the operation of entertainment facilities such as pachinko parlors, bowling alleys, golf driving ranges, amusement facilities, cinemas and other leisure-related business in Japan.

According to the management of the Company, the Group will continue to adopt strategy in developing entertainment and tourist-related businesses in Macau and business opportunities in other countries in order to maximize growth potential. The Directors believe that by leveraging on the extensive experience of Maruhan in the entertainment industry and its business network in Japan, the Group may further explore its travel business and entertainment related business opportunities in Japan. The Directors also anticipate that the partnership with Maruhan will help to bring more Japanese and Korean customers to Ponte 16, which will diversify and expand the Group's customer base.

2. Reasons and benefits of the Acquisition

As stated in the "Letter from the Board" in the Circular, the Directors consider that the Acquisition is in line with the Group's strategy to develop its travel business into a platform to bring in new high-end customers from the North America region to the Asia-Pacific region.

2.1 Tourist industry in Macau

According to the February 2008 issue of the Monthly Bulletin of the Statistics and Census Service in Macau,

	2007	**2006**	**% increase**
Total visitor arrivals	26,992,995	21,998,122	22.7
Visitors from North America	306,294	219,610	39.5
Inbound visitors from North America	83,018	23,884	247.6
Per-capita spending of visitors (4th quarter) (MOP)	1,714	1,670	2.6
Per-capita spending of North America visitors (4th quarter) (MOP)	1,127	823	36.9

As learnt from the above, the tourism industry in Macau has a satisfactory growth in 2007 as reflected by an increase of 22.7% in visitor arrivals. The rate of increases in visitors from North America and the per-capita spending of these visitors in 2007 exceeded the overall rate of increase in the respective statistics. In light of this and the developed gaming industry in Macau, we believe that the tourism industry in Macau has a positive outlook. As the number of visitors from North America only accounted for approximately 1.1% of total visitor arrivals in 2007, we are optimistic on the growth potential for this category of visitors and believe that the increasing trend of visitors from North America will continue.

2.2 Information on the assets to be acquired

Pursuant to the S&P Agreement, the Company will acquire the entire issued share capital of Smart Class. Smart Class is an investment holding company which indirectly holds 80% interest in the Jade Travel Group. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the remaining 20% equity in the Jade Travel Group are held by Independent Third Parties.

According to the management of the Company, Mr. Yeung acquired the 80% effective interest in the Jade Travel Group in January 2003. The total investment in the Jade Travel Group by Mr. Yeung amounted to approximately CAD4.7 million (equivalent to approximately HK$36.7 million). We have been informed that the Jade Travel Group has been established for over 30 years and is a member of the International Air Transport Association. According to its website (www.jadetours.com), it has offices located in Vancouver, Calgary, Toronto and Montreal in Canada and New York in US. It is a major air travel consolidator offering travelers competitive fares to Asia and the other part of the world. The Jade Travel Group also arranges individual tour packages and escorted tours. The Company advised that the major customers of the Jade Travel Group are Chinese (including Taiwanese) in the North America. Travel tours are mainly destined for North America. The audited consolidated financial highlights of the Smart Class Group for the two years ended 31 December 2007 are set out as below:

	2007		**2006**	
	CAD'000	*HK$'000*	*CAD'000*	*HK$'000*
Turnover	217,489	1,696,414	225,475	1,758,705
Profit before taxation and minority interest	344	2,683	74	577
Profit/(loss) for the year	226	1,763	(45)	(351)
Net assets/(liabilities)	749	5,842	(1,545)	(12,051)

The audited consolidated turnover of the Smart Class Group in 2007 dropped slightly by approximately 3.5% to CAD217.5 million (approximately HK$1,696.4 million) due to fierce market competition. Turnover represents revenue from airline ticket sales, sales of group and tour package as well as airline incentive commission which accounted for approximately 94.5%, 3.7% and 1.8% respectively of the total turnover. Profit for the year increased to approximately CAD0.23 million (approximately HK$1.76 million) as compared with a net loss of approximately CAD0.05 million (approximately HK$0.35 million) in 2006. Operating profit margin (being the ratio of profit from operations to turnover) was 0.16% and 0.0% for the year ended 31 December 2007 and 2006 respectively. We understand that due to the business nature, travel agents/companies have high turnover but low profit margin and low level of fixed assets. The management of the Company explained that the improvement in profitability for the year 2007 was due to the reduction in staff costs and courier expenses as a result of using electronic tickets since 2007. Other revenue for the year ended 31 December 2007 of approximately CAD1.2 million (approximately HK$9.6 million) comprised mainly service charges from customers and commissions and rebates from air tickets booking system.

According to the audited accounts of the Smart Class Group as at 31 December 2007, major assets of the Smart Class Group were accounts receivables and trademark. The assets of the Smart Class Group were mainly financed by trade creditors and amount due to ultimate holding company which is held by the Vendor. During the year, the amount due to ultimate holding company was capitalized and reduced to approximately CAD2.7 million (approximately HK$20.9 million) as at 31 December 2007 as compared to CAD4.7 million (approximately HK$36.4 million) as at 31 December 2006. Accordingly, the Smart Class Group recorded a net asset value of CAD0.75 million (approximately HK$5.8 million) as at 31 December 2007 as compared to net liability of approximately CAD1.5 million (approximately HK$12.1 million) as at 31 December 2006.

2.3 Our view

The Jade Travel Group has been established for over 30 years. It has an established client base which mainly comprises Chinese. Also, it has a network of offices located in cities in Canada and US where most of the Chinese are resided. Based on these, we concur with the Directors that the Acquisition is in line with the Group's corporate strategy and will provide synergy to the Group as the Jade Travel Group and the Group's existing travel agents will form a platform offering private tours and travel plans to tourists to and from the North America, Hong Kong and Macau. This will provide an economy of scale and enhance the Group's existing travel business. In turn, more tourists will be attracted to Ponte 16, the Group's casino-resort in Macau and a vertical integration of the Group's business can be achieved. We consider that the Acquisition is in the interest of the Shareholders and the Group as a whole.

3. Terms of the S&P Agreement

3.1 The Consideration

The Consideration for the Sale Share is CAD2,900,000 (approximately HK$22,620,000) which shall be satisfied by the issue of 19,500,000 new Shares at an issue price of HK$1.16 per Share by the Company to the Vendor or its nominee. As stated in the "Letter from the Board" in the Circular, the Consideration was arrived at after arm's length negotiation between the Vendor and the Company with reference to the price earnings ratio of the Smart Class Group and the synergistic effect between the Group and the Smart Class Group. The issue price of HK$1.16 per Consideration Share represents:

(a) the closing price of HK$1.16 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a premium of approximately 4.5% over the average closing price of approximately HK$1.11 per Share for the last 5 consecutive trading days up to and including the Last Trading Day as quoted on the Stock Exchange;

(c) a premium of approximately 8.4% over the average closing price of approximately HK$1.07 per Share for the last 30 consecutive trading days up to and including the Last Trading Day as quoted on the Stock Exchange;

(d) a premium of approximately 3.6% over the closing price of HK$1.12 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(e) a premium of approximately 163.6% over the audited consolidated net assets value per Share of approximately HK$0.44 as at 30 September 2007.

3.2 Basis for the Consideration

As mentioned above, travel agencies/companies are characterized by a low level of fixed assets and the travel business is not an asset-backing business. We consider that the price to net asset value basis is not appropriate as a reference to evaluate the fairness of the Consideration. In this regard, we have used the price to earnings ("PER") basis to evaluate the fairness and reasonableness of the Consideration. We set out below all the travel companies listed in the North America ("Comparables") identified by us for this purpose.

Company	Business	PER*
US		
Ambassadors Group, Inc.	Organises and promotes international education travel and sports programs on a worldwide basis	13
Travelstar, Inc.	Provides online and offline travel services for the leisure and small business travelers	15
YTB International, Inc	Franchises travel agencies, offers home-based travel businesses and offers net-to-phone technology	74
Canada		
Tri-White Corporation	Operates passenger tourist transportation and related services	21

Source: Bloomberg

* *Based on the respective closing prices of the shares of the Comparables as at 1 May 2008*

As learnt from the above, the PERs of the Comparables (excluding YTB International, Inc) ranged from 13 to 21 times with an average of approximately 16.33 times (the "Average"). The PER of YTB International, Inc was excluded as we consider that this will distort our analysis. In this regard, the PER of approximately 16.67 times of the Smart Class Group is in line with the range of the Comparables (excluding YTB International, Inc) and is close to the Average. In light of this, we consider that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

3.3 Dilution effect on the shareholdings of the existing public Shareholders

The Consideration Shares represent approximately 0.81% of the existing issued share capital of the Company and approximately 0.80% of the issued share capital of the Company as enlarged by the issued of the Consideration Shares. Changes of the shareholdings structure are set out in the section headed "Shareholding Structure of the Company" in the "Letter from the Board" in the Circular. The shareholdings of Mr. Yeung and his associates will be increased from approximately 40.8% as at the Latest Practicable Date to approximately 41.3% upon Completion. The shareholdings of the existing public Shareholders will be slightly decreased from approximately 41.0% as at the Latest Practicable Date to approximately 40.7% upon Completion.

In view of the expected benefits to be resulted from the Acquisition as discussed above, we consider that the slight dilution in the shareholdings of the existing public Shareholders is reasonable.

4. Possible financial effects of the Acquisition

According to the "Financial Information of the Smart Class Group" as set in Appendix II to the Circular, as at 31 December 2007, an amount of approximately CAD2.7 million (approximately HK$20.9 million) ("Advance") was owed by Smart Class to the Vendor. The Advance was unsecured, interest free and had no fixed term of repayment. According to the S&P Agreement, the Advance will be charged with interest at the rate of 4% per annum from the date of Completion to the date of full repayment. The Advance and all interests to be accrued thereon shall be repaid by Smart Class to the Vendor upon the Vendor serving a notice of not less than 14 days on Smart Class, which notice shall only be served by the Vendor on Smart Class after the first anniversary of the date of Completion.

Based on the pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular, the unaudited total assets and the total liabilities of the Enlarged Group will be approximately HK$1,282.5 million and HK$231.2 million respectively (audited total assets and liabilities of the Group of approximately HK$1,197.4 million and HK$170.5 million respectively as at 30 September 2007). Upon Completion, the Advance will be consolidated into the Enlarged Group. In light of the net asset value of the Enlarged Group will be approximately HK$1,051.3 million (net asset of the Group of approximately HK$1,026.9 million as at 30 September 2007) with comfortable cash and cash equivalent of approximately HK$204.8 million, we consider that the Acquisition will not have any adverse impact on the Group's financial position.

V. RECOMMENDATION

Having considered the above principal factors and reasons including:

(i) the Acquisition is the furtherance of the Group's stated corporate strategy;

(ii) the expected synergy and vertical integration of the Group's business; and

(iii) the Consideration will be satisfied by the issue of Consideration Shares and thus the Acquisition will not have adverse impact on the cashflow or working capital of the Group,

we are of the opinion that the Acquisition is in the interests of the Group and the Shareholders as whole and the terms of the S&P Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned. Therefore, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the proposed resolution to approve the S&P Agreement and the transactions contemplated thereunder and the allotment and issue of the Consideration Shares at the SGM.

Yours faithfully,
For and on behalf of
ACCESS CAPITAL LIMITED
Alexander Tai
Principal Director

1. FINANCIAL SUMMARY

The following is a summary of the audited consolidated income statement of the Group for the three years ended 30 September 2007 and the audited consolidated balance sheets as at 30 September 2005, 2006 and 2007, as extracted from the published annual reports of the Company for the two years ended 30 September 2007.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September

	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	103,754	103,530	100,905
Cost of sales	(8,069)	(7,871)	(6,520)
Gross profit	95,685	95,659	94,385
Other revenue	30,693	24,983	5,859
	126,378	120,642	100,244
Administrative expenses	(92,309)	(71,725)	(68,352)
Profit from operations	34,069	48,917	31,892
Finance costs	(1,675)	–	(97)
Share of results of associates	(15,450)	(386)	(12)
Profit before taxation	16,944	48,531	31,783
Income tax	(672)	(372)	–
Profit for the year	16,272	48,159	31,783
Attributable to:			
Equity shareholders of the Company	2,314	28,380	12,291
Minority interests	13,958	19,779	19,492
Profit for the year	16,272	48,159	31,783
Dividends payable to equity shareholders of the company attributable to the year:			
Interim dividend declared during the year	–	3,209	–
Earnings per share			
– Basic	0.11 HKcents	1.41 HKcents	0.66 HKcents
– Diluted	N/A	N/A	N/A

CONSOLIDATED BALANCE SHEET
At 30 September

	2007 HK$'000	2006 HK$'000	2005 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	87,945	91,536	90,247
Goodwill	1,313	1,313	1,313
Interest in associates	886,930	376,015	339,042
Available-for-sale investment	–	25,239	25,239
Loan receivable	–	–	51,562
	976,188	494,103	507,403
CURRENT ASSETS			
Inventories	1,323	1,178	1,181
Trade and other receivables	18,398	13,509	12,837
Pledged bank deposits	751	729	708
Cash and cash equivalents	200,719	468,876	189,965
	221,191	484,292	204,691
CURRENT LIABILITIES			
Trade and other payables	106,422	6,047	5,152
Tax payable	961	157	–
	107,383	6,204	5,152
NET CURRENT ASSETS	113,808	478,088	199,539
TOTAL ASSETS LESS CURRENT LIABILITIES	1,089,996	972,191	706,942
NON-CURRENT LIABILITIES			
Loans from minority shareholders	–	5,056	26,208
Deferred tax liabilities	83	215	–
Financial guarantee contract	63,000	–	–
	63,083	5,271	26,208
NET ASSETS	1,026,913	966,920	680,734
CAPITAL AND RESERVES			
Share capital	21,995	21,395	19,045
Reserves	954,935	905,221	630,454
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	976,930	926,616	649,499
MINORITY INTERESTS	49,983	40,304	31,235
TOTAL EQUITY	1,026,913	966,920	680,734

2. AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

Set out below are the audited consolidated income statements of the Group for the two years ended 30 September 2007, the audited consolidated balance sheets of the Group as at 30 September 2006 and 2007, the audited consolidated statement of changes in equity of the Group for the two years ended 30 September 2007, the audited consolidated cash flow statements of the Group for the two years ended 30 September 2007, together with the accompanying notes as extracted from the annual report of the Company for the year ended 30 September 2007:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2007

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

CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2007

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

BALANCE SHEET

AT 30 SEPTEMBER 2007

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2007

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2007

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

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

Non-cash transaction

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2007

1. Organisation and principal activities

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

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

2. Significant accounting policies

(a) Statement of Compliance

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

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

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

(b) Basis of Preparation of the Financial Statements

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

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

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

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

(c) Subsidiaries and Minority Interests

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

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

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

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

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

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

(d) Associates

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

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

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

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

(e) Goodwill

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

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

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

(f) Other Investments in Debt and Equity Securities

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

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

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

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

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

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

(g) Property, Plant and Equipment

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

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

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

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

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

(h) Operating lease charges

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

(i) Impairment of Assets

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

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

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

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

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

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

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

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

(ii) Impairment of other assets

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

– property, plant and equipment

– investments in subsidiaries and associates

– goodwill

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(j) Inventories

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

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

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

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

(k) Trade and Other Receivables

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

(l) Trade and Other Payables

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

(m) Cash and Cash Equivalents

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

(n) Employee Benefits

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

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

(ii) Share-based payments

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

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

(iii) Termination benefits

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

(o) Income Tax

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

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

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

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

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

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

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

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

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

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

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

– the same taxable entity; or

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

(p) Financial Guarantees Issued, Provisions and Contingent Liabilities

(i) Financial guarantees issued

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

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

(ii) Other provisions and contingent liabilities

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

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

(q) Revenue Recognition

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

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

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

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

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

(r) Translation of Foreign Currencies

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

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

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

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

(s) Borrowing Costs

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

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

(t) Related Parties

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

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

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

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

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

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

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

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

(u) Segment Reporting

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

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

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

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

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

3. Changes in accounting policies

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

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

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

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

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

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

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

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

4. Financial risk management objectives and policies

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

(a) Interest rate risk

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

(b) Foreign currency risk

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

(c) Credit risk

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

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

(d) Liquidity risk

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

(e) Fair value

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

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

5. Critical accounting judgements and key sources of estimation uncertainty

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

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

(a) Property, plant and equipment and depreciation

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

(b) Impairment of assets

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

6. Segment reporting

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

(a) Business segment

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

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

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

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

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

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

(b) Geographical segment

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

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

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

7. Turnover

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

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

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

8. Other revenue

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

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

9. Profit before taxation

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

(a) Finance costs

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

(b) Staff costs

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

(c) Other items

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

Included within administrative expenses

10. Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

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

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

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

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

11. Directors' remuneration

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

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

12. Individuals with highest emoluments

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

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

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

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

13. Profit attributable to equity shareholders of the company

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

14. Dividends

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

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

15. Earnings per share

(a) Basic earnings per share

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

Weighted average number of ordinary shares

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

(b) Diluted earnings per share

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

16. Property, plant and equipment

Group

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

17. Goodwill

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

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

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

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

18. Interest in subsidiaries

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

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

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

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

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

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

* *Not audited by CCIF CPA Limited*

19. Interest in associates

(a)

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

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

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

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

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

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

(d) Goodwill

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

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

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

(ii) Impairment test for interest in associates

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

(e) Summary financial information on associates

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

20. Available-for-sale investment

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

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

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

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

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

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

21. Inventories

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

22. Trade and other receivables

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

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

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

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

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

23. Trade and other payables

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

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

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

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

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

24. Loans from minority shareholders

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

25. Deferred tax liabilities

(a) Recognised deferred tax liabilities

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

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

(b) Unrecognised deferred tax assets

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

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

26. Share capital

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

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

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

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

27. Employee retire benefits

(a) Defined contribution retirement plan

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

(b) Share option scheme

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

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

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

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

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

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

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

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

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

28. Reserves

Group

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

Company

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

29. Operating lease commitments

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

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

30. Contingent liabilities

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

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

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

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

31. Related party transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

32. Pledge of assets

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

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

33. Non-adjusting post balance sheet events

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

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

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

34. Possible impact of amendments, new standards and interpretations issued but not yet effective, for the year ended 30 September 2007

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

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

[1] *Effective for annual periods beginning on or after 1 January 2007*

[2] *Effective for annual periods beginning on or after 1 January 2009*

[3] *Effective for annual periods beginning on or after 1 November 2006*

[4] *Effective for annual periods beginning on or after 1 March 2007*

[5] *Effective for annual periods beginning on or after 1 January 2008*

[6] *Effective for annual periods beginning on or after 1 July 2008*

35. Comparative figures

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

3. MATERIAL ADVERSE CHANGE

The Directors confirm that there is no material adverse change in the financial or trading position of the Group since 30 September 2007, the date to which the latest published audited financial statements of the Company were made up.

4. WORKING CAPITAL

The Directors are of the opinion that in the absence of unforeseen circumstances and after taking into account the internal generated funds and financial resources of the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

5. INDEBTEDNESS

The Group

Borrowings

As at the close of business on 30 April 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, apart from intra-group liabilities, the Group had outstanding borrowings of approximately HK$107.3 million as follow:

	HK$'000
Amount due to minority shareholder	107,256

Guarantee

As at 30 April 2008, the Group pledged time deposits of approximately HK$0.8 million to certain banks for bank guarantees of approximately HK$0.8 million issued in favour of the Independent Third Parties for operations of the Group.

As at 30 April 2008, a syndicated loan facility granted to Pier 16 – Property Development held as to 49% by World Fortune, a non-wholly owned subsidiary of the Company, was HK$1,600 million. The maximum guarantee amount borne by the Company was HK$860 million. The syndicated loan facility utilised by Pier 16 – Property Development on 30 April 2008 was HK1,360 million.

As at 30 April 2008, World Fortune pledged all of its shares in Pier 16 – Property Development to a bank, for and on behalf of the syndicate of lenders, in respect of the aforesaid syndicate loan facility granted to Pier 16 – Property Development.

Save as aforesaid, as at 30 April 2008, the Group did not 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 April 2008 and up to the Latest Practicable Date.

The Enlarged Group

As at the close of business on 30 April 2008, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Enlarged Group had total outstanding borrowings of approximately HK$138.7 million as follows:

	HK$'000
Bank overdraft	75
Amount due to minority shareholders	117,786
Amount due to Star Spangle Corporation	20,857
	138,718

Guarantee

As at 30 April 2008, Jade Travel Ltd. (Canada) obtained a letter of guarantee from the bank amounted to HKD12,422,000 in favour of various airlines to secure payment of airline ticket purchases.

Save as aforesaid and apart from intra-group liabilities, as at the close of business on 30 April 2008, the Enlarged Group had no debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, distinguishing between guaranteed, unguaranteed, secured and unsecured, bank borrowings including, bank loans and overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credit, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

Save as disclosed above, the Directors confirm that there has not been any material adverse change in the indebtedness and contingent liabilities of the Enlarged Group since 30 April 2008 and up to the Latest Practicable Date.

The following is the text of a report, prepared for the purpose of incorporating in this circular, received from the reporting accountants, CCIF CPA Limited, Certified Public Accountants, Hong Kong.

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

The Board of Directors
Macau Success Limited

28 May 2008

Dear Sirs,

We set out below our report regarding the financial information (the "Financial Information") of Smart Class Enterprises Limited ("Smart Class") and its subsidiaries (hereinafter collectively referred to as the "Smart Class Group") set out in Sections A to F below, for inclusion in the circular of Macau Success Limited (the "Company") to its shareholders dated 28 May 2008 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of Smart Class by the Company. The Financial Information comprises the balance sheets of Smart Class and the Smart Class Group as at 31 December 2005, 2006 and 2007, and the consolidated income statement, the consolidated statements of changes in equity and the consolidated cash flow statements of the Smart Class Group for each of the years ended 31 December 2005, 2006 and 2007 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

Smart Class was incorporated in the British Virgin Islands on 10 December 2002 as a private company with limited liability and was principally engaged in investment holding during the Relevant Periods.

As at the date of this report, the particulars of the subsidiaries of Smart Class as at 31 December 2007 are as follows:

Name of subsidiary	Place and date of establishment/ amalgamation/merger	Issued and fully paid up common/ preferred share	Percentage of equity attributable to Smart Class		Principal activities
			Direct	Indirect	
1338 Successful Venture Ltd.	Canada 13 January 2003	1 common share with no par value	100%	–	Investment holding
665127 British Columbia Ltd.	Canada 4 March 2003	10,000 common shares with no par value 1,400 Class A preferred shares with CAD0.01 par value (without voting right)	–	80%	Investment holding
661198 British Columbia Ltd.	Canada 3 January 2003	1,400 common shares with no par value	–	80%	Investment holding
Jade Travel Ltd. ("Jade Travel Ltd. (Canada)")	Canada Date of amalgamation: 1 January 1994	7 common shares with no par value	–	80%	Wholesale and retail business of selling airline tickets and tour package
Jade Travel Ltd. ("Jade Travel Ltd. (New York)")	United States of America Date of merger: 31 October 1988	100 common shares with no par value	–	80%	Wholesale and retail business of selling airline tickets and tour package
2078228 Ontario Corp.	Canada 28 July 2005	100 common shares with no par value	–	80%	Retail business of selling airline tickets and tour package

Except for Jade Travel Ltd. (Canada) and Jade Travel Ltd. (New York), no audited financial statements have been prepared for the Smart Class Group since they were incorporated outside Hong Kong and there are no statutory requirements to prepare audited financial statements.

The statutory financial statements of the subsidiaries of Smart Class established in Canada and the United States of America ("US") were prepared in accordance with the relevant accounting principles and financial regulations generally accepted in Canada. The names of the auditors who prepared the audited financial statements of these companies are set out below:

Company	Accounts for the year ended	Auditors
Jade Travel Ltd. (Canada)	31 December 2005	HLB Cinnamon Jang Willoughby & Company
	31 December 2006	HLB Cinnamon Jang Willoughby & Company
	31 December 2007	SRTK Tam Kurozumi
Jade Travel Ltd. (New York)	31 December 2005	HLB Cinnamon Jang Willoughby & Company
	31 December 2006	HLB Cinnamon Jang Willoughby & Company
	31 December 2007	SRTK Tam Kurozumi

For the purpose of this report, the directors of Smart Class have prepared the consolidated financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA)" of the Smart Class Group (the "HKFRSs Financial Statements") for each of the years ended 31 December 2005, 2006 and 2007.

The Financial Information has been based on the HKFRSs Financial Statements or where appropriate, unaudited consolidated financial statements of Smart Class with no adjustment made thereon.

DIRECTORS' RESPONSIBILITY

The directors of Smart Class are responsible for the preparation and the true and fair presentation of the HKFRSs Financial Statements in accordance with HKFRSs. The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the HKFRSs Financial Statements and the preparation and the true and fair presentation of the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

REPORTING ACCOUNTANTS' RESPONSIBILITY

For the Financial Information, our responsibility is to express an opinion on the Financial Information based on our examination and to report our opinion to you. We have examined the HKFRSs Financial Statements or, where appropriate, the unaudited consolidated financial statements of Smart Class in preparing the Financial Information, and carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION AND REVIEW CONCLUSION

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of Smart Class and the Smart Class Group as at 31 December 2005, 2006 and 2007 and of the Smart Class Group's results and cash flows for the respective years then ended.

A. CONSOLIDATED INCOME STATEMENT

		Year ended 31 December		
		2005	**2006**	**2007**
	Note	*CAD'000*	*CAD'000*	*CAD'000*
Turnover	*6*	236,528	225,475	217,489
Cost of sales		(229,335)	(218,428)	(210,885)
Gross profit		7,193	7,047	6,604
Other revenue	*7*	1,230	1,239	1,228
Selling expenses		(391)	(375)	(368)
Administrative expenses		(7,722)	(7,621)	(6,884)
Other operating expenses		(189)	(208)	(227)
Profit from operations		121	82	353
Finance costs	*8(a)*	(7)	(8)	(9)
Profit before taxation	*8*	114	74	344
Income tax	*9*	(121)	(119)	(118)
(Loss)/profit for the year		(7)	(45)	226
Attributable to:				
Equity shareholders of Smart Class		(6)	(36)	174
Minority interests		(1)	(9)	52
(Loss)/profit for the year		(7)	(45)	226
Earnings/(loss) per share				
Basic	*13*	N/A	N/A	N/A
Diluted		N/A	N/A	N/A

B. CONSOLIDATED BALANCE SHEET

		As at 31 December		
		2005	2006	2007
	Note	*CAD'000*	*CAD'000*	*CAD'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*14*	384	315	797
Deferred tax assets	*16*	94	232	189
Intangible assets	*17*	2,970	2,970	2,970
		3,448	3,517	3,956
CURRENT ASSETS				
Trade and other receivables	*18*	3,332	2,837	2,866
Security deposit	*19*	141	141	131
Income tax recoverable	*16*	215	–	92
Bank deposits	*20*	40	40	516
Cash and cash equivalents	*20*	629	1,327	903
		4,357	4,345	4,508
CURRENT LIABILITIES				
Bank overdraft	*20*	24	39	120
Trade and other payable	*21*	2,978	2,668	3,300
Deferred income	*22*	163	128	125
Obligation under finance lease	*23*	37	28	–
Due to ultimate holding company	*24*	4,672	4,673	2,674
Due to minority shareholders	*25*	1,354	1,354	1,350
Taxation payable	*16*	–	195	–
		9,228	9,085	7,569
NET CURRENT LIABILITIES		(4,871)	(4,740)	(3,061)
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,423)	(1,223)	895
NON-CURRENT LIABILITIES				
Deferred income	*22*	–	271	146
Obligation under finance leases	*23*	79	51	–
		79	322	146
NET (LIABILITIES)/ASSETS		(1,502)	(1,545)	749
CAPITAL AND RESERVES				
Share capital	*26*	–	–	50
Reserves	*27*	(1,645)	(1,679)	503
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF SMART CLASS		(1,645)	(1,679)	553
MINORITY INTERESTS	*27*	143	134	196
(CAPITAL DEFICIENCY)/ TOTAL EQUITY		(1,502)	(1,545)	749

C. BALANCE SHEET

		As at 31 December		
		2005	**2006**	**2007**
	Note	*CAD'000*	*CAD'000*	*CAD'000*
NON-CURRENT ASSETS				
Investment in subsidiaries	*15*	–	–	–
CURRENT ASSETS				
Due from subsidiaries	*15*	4,648	4,648	4,649
NON-CURRENT LIABILITIES				
Due to ultimate holding company	*24*	4,672	4,673	2,674
NET (LIABILITIES)/ASSETS		(24)	(25)	1,975
CAPITAL AND RESERVES				
Share capital	*26*	–	–	50
Reserves	*27*	(24)	(25)	1,925
(CAPITAL DEFICIENCY)/ TOTAL EQUITY		(24)	(25)	1,975

D. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of Smart Class						
	Share capital	**Share premium**	**Exchange reserve**	**Accumulated losses**	**Total**	**Minority interest**	**Total**
	CAD'000	*CAD'000*	*CAD'000*	*CAD'000*	*CAD'000*	*CAD'000*	*CAD'000*
At 1 January 2005	–	–	29	(1,677)	(1,648)	144	(1,504)
Exchange adjustments	–	–	9	–	9	–	9
Loss for the year	–	–	–	(6)	(6)	(1)	(7)
At 31 December 2005	–	–	38	(1,683)	(1,645)	143	(1,502)
At 1 January 2006	–	–	38	(1,683)	(1,645)	143	(1,502)
Exchange adjustments	–	–	2	–	2	–	2
Loss for the year	–	–	–	(36)	(36)	(9)	(45)
At 31 December 2006	–	–	40	(1,719)	(1,679)	134	(1,545)
At 1 January 2007	–	–	40	(1,719)	(1,679)	134	(1,545)
Exchange adjustments	–	–	58	–	58	10	68
Shares issued	50	1,950	–	–	2,000	–	2,000
Profit for the year	–	–	–	174	174	52	226
At 31 December 2007	50	1,950	98	(1,545)	553	196	749

E. CONSOLIDATED CASH FLOW STATEMENT

	2005	2006	2007
	CAD'000	*CAD'000*	*CAD'000*
OPERATING ACTIVITIES			
Profit before taxation	114	74	344
Adjustments for:			
Depreciation	189	208	227
Finance costs	7	8	9
Interest income	(5)	(25)	(38)
(Gain)/loss on disposal of property, plant and equipment	(3)	24	(13)
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL	302	289	529
Decrease in security deposit	2	–	10
(Increase)/decrease in trade and other receivables	(169)	495	(99)
Increase/(decrease) in trade and other payables	660	(310)	751
(Decrease)/increase in deferred income	(157)	236	(128)
Decrease in amount due to minority interests	–	–	(4)
Increase in amount due to ultimate holding company	1	1	–
CASH GENERATED FROM OPERATIONS	639	711	1,059
Tax paid			
Overseas income tax (paid)/refund	(493)	153	(362)
NET CASH GENERATED FROM OPERATING ACTIVITIES	146	864	697
INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment	(236)	(163)	(710)
Proceeds on disposal of property, plant and equipment	6	–	13
Interest received	5	25	38
Increase in unpledged bank deposits	–	–	(476)
NET CASH USED IN INVESTING ACTIVITIES	(225)	(138)	(1,135)

	2005	2006	2007
	CAD'000	*CAD'000*	*CAD'000*
FINANCING ACTIVITIES			
Capital element of finance leases rentals paid	44	(37)	(79)
Interest element of finance leases rentals paid	(4)	(6)	(8)
Interest paid	(3)	(2)	(1)
NET CASH GENERATED FROM/ (USED IN) FINANCING ACTIVITIES	37	(45)	(88)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(42)	681	(526)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	633	605	1,288
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	14	2	21
CASH AND CASH EQUIVALENTS AT END OF YEAR	605	1,288	783
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	629	1,327	903
Bank overdraft	(24)	(39)	(120)
	605	1,288	783

F. NOTES TO THE FINANCIAL STATEMENTS

1. General information

Smart Class was incorporated as an exempted company with limited liability in the British Virgin Islands on 10 December 2002. The registered office of Smart Class is located at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

The principal activity of Smart Class is investment holding and the principal activities of its subsidiaries are set out in note 15 to these financial statements.

The HKFRSs Financial Statements comprise the Smart Class Group and are presented in Canadian dollars ("CAD"), unless otherwise stated.

2. Significant accounting policies

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong ("the Companies Ordinance") and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong ("the Stock Exchange"). A summary of the significant accounting policies adopted by the Smart Class Group is set out below.

b) Going concern basis

As at 31 December 2007, the Smart Class Group had net current liabilities of approximately CAD3,061,000 (2005: CAD4,871,000; 2006: CAD4,740,000). Given the Smart Class Group's consolidated liabilities mainly comprise amounts due to ultimate holding company and minority shareholders of approximately CAD2,674,000 and CAD1,350,000 respectively, its ability to continue as a going concern depends on the support from the shareholders who/which have undertaken to provide continuing financial support to the Smart Class Group as may be necessary to enable it to operate as a going concern and meet its obligation for the next twelve months from the date of this report.

Based on the above, the directors of Smart Class are of the opinion that the Smart Class Group will remain as a going concern in the foreseeable future. Accordingly, the directors of Smart Class are satisfied that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Smart Class Group be unable to continue as a going concern.

c) Basis of preparation of the financial statements

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

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.

d) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Smart Class Group. Control exists when the Smart Class 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 the subsidiaries attributable to interests that are not owned by Smart Class, whether directly or indirectly through subsidiaries, minority interests are presented on the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of Smart Class. Minority interests in the results of the Smart Class 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 Smart Class.

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 Smart Class 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 Smart Class Group's interest is allocated all such profits under the minority's share of losses previously absorbed by the Smart Class Group has been recovered.

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

e) ***Intangible assets (other than goodwill)***

Intangible assets that are acquired by the Smart Class Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses *(see note 2(h))*. Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

f) ***Property, plant and equipment***

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

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 the income statement 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 estimate useful lives as follows:

Property	40 years
Leasehold improvements	3 – 5 years
Computer equipment	3 years
Furniture, fixtures and office equipment	3 years
Motor vehicles	3 – 5 years

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.

g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Smart Class Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) Classification of assets leased to the Smart Class Group

Assets that are used by the Smart Class Group under leases which transfer to the Smart Class Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Smart Class Group are classified as operating leases.

ii) Assets acquired under finance leases

Where the Smart Class Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Smart Class Group will obtain ownership of the asset, the life of the asset, as set out in note 2(f) above. Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(h) below. Finance charges implicit in the lease payments are charged to income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

iii) Operating lease charges

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

h) Impairment of assets

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

Investments in debt and equity securities (other than investments in subsidiaries *(see note 2(h)(ii))* and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

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

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

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

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

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

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

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, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment

– investments in subsidiaries

– intangible assets

– 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 the income statement 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 estimate use 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 the income statement in the year in which the reversals are recognised.

i) 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(h))*, 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(h))*.

j) 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.

k) 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 Smart Class Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

l) Employee benefits

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

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

ii) Termination benefits

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

m) 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 the income statement 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 report purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

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

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

The amount of deferred tax recognised is measured based on the expected manner of realization 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 Smart Class or the Smart Class 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, Smart Class or the Smart Class Group intends either to settle on a net basis, or to realize 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 realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Smart Class Group or Smart Class 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.

o) Revenue recognition

Provided it is probable that the economic benefits will flow to the Smart Class Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

i) Revenue from airline ticket sales is recognised when the tickets are issued.

ii) Revenue from the sale of tour package is recognised when travel arrangements have been booked and confirmed with customers. Deposits from customers are reported as liabilities.

iii) Revenue from the sale of group tour is recognised at the point of group departure. Deposits from customers are reported as liabilities until the tour departs.

iv) Incentive commission is recognised when the amounts are measurable and the ultimate collections are reasonably assumed.

v) Franchise income is recognised on monthly basis in accordance with the terms and condition of the agreement.

vi) Services income are recognised when services provided.

vii) Other income consists of revenue earned based on volume sales through various on-line ticket processing systems. Other income is recognised when it is measurable and all contractual obligation have been fulfilled.

viii) Interest income is recognised as it occurs using the effective interest method.

ix) Rental income is recognised in income statement in equal instalments over the periods covered by the lease term.

p) 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 loses are recognised in the income statement.

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 Canadian dollars ("CAD") 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 CAD 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.

q) Related parties

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

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

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

iii) the party is a subsidiary, or an associate of the Smart Class Group or a joint venture in which the Smart Class Group is a venturer;

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

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

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

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

r) Segment reporting

A segment is a distinguishable component of the Smart Class 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 Smart Class Group's internal financial reporting, the Smart Class Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

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

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

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

3. Financial risk management objectives and policies

The Smart Class Group's major financial instruments include 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 Smart Class Group has no significant interest bearing liabilities, the Smart Class 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 Smart Class Group's monetary assets and liabilities are denominated in CAD, and the Smart Class Group conducted its business transactions principally in CAD. The exchange rate risk of the Smart Class Group is not significant.

c) Credit risk

i) During the financial period, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet after deducting any impairment allowance.

ii) In respect of trade and other receivables, in order to minimize risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition is performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Smart Class Group does not require collateral in respect of its financial assets. Debts are usually due within 90 days from the date of billing.

iii) In respect of trade receivables, the Smart Class Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. As at the balance sheet date, the Smart Class Group had no significant concentrations of credit risk which individual trade and other receivables balance exceeds 10% of the total trade and other receivables at balance sheet date.

Further quantitative disclosures in respect of the Smart Class Group's exposure to credit risk arising from trade and other receivables are set out in note 18.

d) Liquidity risk

Individual operating entities within the Smart Class Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Smart Class Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Smart Class Group relies on bank borrowings as a significant source of liquidity.

e) Fair value

The fair values of cash and cash equivalents, bank deposits, debtors, other receivables, trade and other payables are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments. The fair value of financial assets traded on active liquid markets are determined with reference to listed market prices.

All financial instruments are carried at amounts not materially different from their fair values for the accounting period.

f) Capital management

The Smart Class Group's objectives when managing capital are to ensure that entities in the Smart Class Group will be able to continue as a going concern while maximising the return to the shareholders of Smart Class through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Smart Class Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

The capital structure of the Smart Class Group at 31 December 2005, 2006 and 2007 were as follows:

	Year ended 31 December		
	2005	**2006**	**2007**
	CAD'000	*CAD'000*	*CAD'000*
Bank overdraft	24	39	120
Obligation under finance lease	116	79	–
Amount due to ultimate holding company	4,672	4,673	2,674
Due to minority shareholders	1,354	1,354	1,350
Cash and cash equivalents	629	1,327	903

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 Smart Class 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) Key sources of estimation uncertainty

Impairment of intangible assets

The Smart Class Group performs annual tests on whether there has been impairment of intangible assets in accordance with the accounting policy stated in note 2(h). The recoverable amounts of cash generating units are determined based on value in-use calculations. These calculations require the use of estimates and assumptions made by the management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

b) Critical accounting judgements in applying the Smart Class Group's accounting policies

Certain critical accounting judgements in applying the Smart Class Group's accounting policies are described below.

Going concern basis

As mentioned in note 2(b), the directors of Smart Class are satisfied that the Smart Class Group will be able to meet its financial obligations in full as and when they fall due in the foreseeable future. As the directors of Smart Class are confident that the Smart Class Group will be able to continue in operational existence in the foreseeable future, the financial statements have been prepared on a going concern basis.

If the going concern basis is not appropriate, adjustments would have been made to reclassify non-current assets and liabilities as current assets and liabilities respectively, to reduce the values of assets to their immediate recoverable amounts and to provide for any further liabilities which might arise. Such adjustments may have a significant consequential effect on the profit for the year and net assets of the Smart Class Group.

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 Smart Class Group is principally engaged in two business segments, the wholesale and retail of air ticket and tour package. Over 90% of revenue are from wholesale and retail of air ticket. Accordingly, no business segment information is presented.

b) Geographical segments

The Smart Class Group's business is managed on a worldwide basis, but participates in two principal economics environments. The income from airline ticket sales and tour package sales mainly derived from US and Canada.

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.

	Canada			US			Other			Consolidated		
	2005	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
	CAD'000	*CAD'000*	*CAD'000*	*CAD'000*	*CAD'000*	*CAD'000*	*CAD'000*	*CAD'000*	*CAD'000*	*CAD'000*	*CAD'000*	*CAD'000*
Segment revenue												
Turnover	215,343	201,966	192,162	21,185	23,509	25,327	–	–	–	236,528	225,475	217,489
Segment assets	4,521	4,593	5,043	314	299	451	2,970	2,970	2,970	7,805	7,862	8,464
Capital expenditure	232	163	709	4	–	1	–	–	–	236	163	710

6. Turnover

The principal activities of the Smart Class Group are operating wholesale and retail business of selling airline tickets and tour packages.

Turnover represents revenue from airline ticket sales, tour package income and airline incentive commission income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	Year ended 31 December		
	2005	**2006**	**2007**
	CAD'000	*CAD'000*	*CAD'000*
Sales of air ticket	220,475	212,229	205,552
Sales of group tour and tour package	9,030	8,468	8,087
Incentive commission	7,023	4,778	3,850
	236,528	225,475	217,489

7. Other revenue

	2005	2006	2007
	CAD'000	*CAD'000*	*CAD'000*
Gain on disposal of property, plant and equipment	3	–	13
Franchise income	7	6	5
Interest income	5	25	38
Service charges	653	449	469
Others	562	759	703
	1,230	1,239	1,228

8. Profit before taxation

Profit before taxation is arrived at after charging:

a) Finance costs

	Year ended 31 December		
	2005	2006	2007
	CAD'000	*CAD'000*	*CAD'000*
Interest on bank overdraft	3	2	1
Finance charges on obligations under finance leases	4	6	8
	7	8	9

b) Staff costs

	Year ended 31 December		
	2005	**2006**	**2007**
	CAD'000	*CAD'000*	*CAD'000*
Salaries, wages and other benefit (including directors' emoluments)	4,735	4,594	4,081
Contribution to defined contribution retirement plan	400	360	338
	5,135	4,954	4,419

c) Other items

	Year ended 31 December		
	2005	**2006**	**2007**
	CAD'000	*CAD'000*	*CAD'000*
Auditors' remuneration	64	80	79
Depreciation			
– Owned fixed assets	189	208	227
Operating lease rentals			
– Properties	553	595	587
Exchange loss	7	11	23
Loss on disposal of property, plant and equipment	–	24	–

9. Income tax in the consolidated income statement

a) Taxation in the consolidated income statement represents:

	Year ended 31 December		
	2005	**2006**	**2007**
	CAD'000	*CAD'000*	*CAD'000*
Current tax			
– Canada income tax for the year	72	256	149
– Underprovision/ (overprovision) in respect of prior years	49	1	(74)
– United States income tax for the year	–	–	–
	121	257	75
Deferred taxation			
– Origination and reversal of temporary differences *(note 16(b))*	–	(138)	43
Tax expense	121	119	118

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

i) Canada income tax

As at 31 December 2007, the Smart Class Group received income tax refund from the application of non-capital losses incurred in 2003. The actual refund was in excess of the estimated amount and the excess amount is recorded as a reduction of the current year's income tax expenses.

ii) United States income tax

No United States income tax has been provided for the years 2005, 2006 and 2007 as the Smart Class Group had no estimated assessable profits for the relevant period.

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

	Year ended 31 December		
	2005	**2006**	**2007**
	CAD'000	*CAD'000*	*CAD'000*
Profit before tax	114	74	344
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	65	79	157
Tax effect of non-deductible expenses	9	146	166
Tax effect of non-taxable revenue	(15)	(8)	(143)
Overprovision in prior years	49	1	(74)
Unrecognised temporary differences	3	(134)	(15)
Tax effect on utilisation of previously unrecognised tax losses	10	35	27
Tax expense	121	119	118

10. Directors' remuneration

Directors' remuneration disclosed pursuant to section 161 of the Companies Ordinance during the years is HK$Nil.

None of the directors of the Smart Class Group has waived any emoluments during the years.

11. Individual with highest emoluments

During the years ended 31 December 2005, 2006 and 2007, the five individuals with the highest emoluments in the Smart Class Group are as follows:

	Year ended 31 December		
	2005	**2006**	**2007**
	CAD'000	*CAD'000*	*CAD'000*
Salaries, allowance and benefits in kind	378	368	374
Retirement benefits scheme contribution	30	29	30
	408	397	404

The emolument of the five individuals during the years ended 31 December 2005, 2006 and 2007 with the highest emoluments are within the following band:

	Year ended 31 December		
	2005	**2006**	**2007**
CAD Nil to CAD1,000,000	5	5	5

12. Profit attributable to equity shareholders of Smart Class

The consolidated profit attributable to equity shareholders of Smart Class includes a loss of approximately CAD1,000, CAD1,000 and CAD34,000 for the years ended 31 December 2005, 2006 and 2007 respectively which has been dealt with in the financial statements of Smart Class.

13. Earnings /(loss) per share

No earnings/(loss) per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

14. Property, plant and equipment

a) *Smart Class Group*

	Property	Leasehold improvements	Computer equipment	Furniture, fixtures and office equipment	Motor vehicles	Total
	CAD'000	*CAD'000*	*CAD'000*	*CAD'000*	*CAD'000*	*CAD'000*
Cost						
At 1 January 2005	–	374	648	303	100	1,425
Exchange difference	–	4	–	6	–	10
Additions	–	43	100	22	71	236
Disposals	–	–	(17)	–	–	(17)
At 31 December 2005 and 1 January 2006	–	421	731	331	171	1,654
Additions	–	57	83	23	–	163
Disposals	–	(45)	–	–	–	(45)
At 31 December 2006 and 1 January 2007	–	433	814	354	171	1,772
Exchange difference	–	(4)	–	(7)	–	(11)
Additions	293	135	240	42	–	710
Disposals	–	(1)	–	–	(21)	(22)
At 31 December 2007	293	563	1,054	389	150	2,449
Accumulated depreciation						
At 1 January 2005	–	307	469	276	34	1,086
Exchange difference	–	4	–	5	–	9
Charge for the year	–	26	115	19	29	189
Written back on disposals	–	–	(14)	–	–	(14)
At 31 December 2005 and 1 January 2006	–	337	570	300	63	1,270
Charge for the year	–	38	112	21	37	208
Written back on disposals	–	(21)	–	–	–	(21)
At 31 December 2006 and 1 January 2007	–	354	682	321	100	1,457
Exchange difference	–	(4)	–	(6)	–	(10)
Charge for the year	7	53	112	27	28	227
Written back on disposals	–	(1)	–	–	(21)	(22)
At 31 December 2007	7	402	794	342	107	1,652
Net book value						
At 31 December 2005	–	84	161	31	108	384
At 31 December 2006	–	79	132	33	71	315
At 31 December 2007	286	161	260	47	43	797

During the year, the net book value of motor vehicles held under finance leases were CAD108,000 CAD71,000 and CAD43,000 for the year ended 31 December 2005, 2006 and 2007 respectively.

b) The analysis of carrying amount of properties is as follows:

	2005	2006	2007
	CAD'000	*CAD'000*	*CAD'000*
Outside Hong Kong			
Freehold land	–	–	286

15. Interest in subsidiaries

		Smart Class	
	2005	**2006**	**2007**
	CAD'000	*CAD'000*	*CAD'000*
Unlisted shares, at cost*	–	–	–
Amounts due from subsidiaries	4,648	4,648	4,649
	4,648	4,648	4,649

* *The authorized capital of the subsidiary consists of 1,000,000 common shares without par value and 1 common share without par value was issued to Smart Class.*

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

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

All of these are controlled subsidiaries as defined under note 2(d) above and have been consolidated into the Smart Class Group's financial statements.

Name of subsidiary	Place of incorporation/ operation	Particulars of issued and paid up common/ preferred share	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by Smart Class	Held by a subsidiary	
1338 Successful Venture Ltd.	Canada	1 common share with no par value	100%	100%	–	Investment holding
665127 British Columbia Ltd.	Canada	10,000 common shares with no par value 1,400 Class A preferred shares with CAD0.01 par value (without voting right)	80%	–	80%	Investment holding
661198 British Columbia Ltd.	Canada	1,400 common shares with no par value	80%	–	80%	Investment holding
Jade Travel Ltd. (Canada)	Canada	7 common shares with no par value	80%	–	80%	Wholesale and retail business of selling airline tickets and tour packages
Jade Travel Ltd. (New York)	U.S.	100 common shares with no par value	80%	–	80%	Wholesale and retail business of selling airline tickets and tour packages
2078228 Ontario Corp.	Canada	100 common shares with no par value	80%	–	80%	Retail business of selling airline tickets and tour packages

16. Income tax in the balance sheet

a) Current tax payable in the balance sheet represents:

	2005	2006	2007
	CAD'000	*CAD'000*	*CAD'000*
Provision for profits tax for the year	(72)	(256)	(149)
Provisional profits tax paid/(refund)	228	(153)	238
	156	(409)	89
Balance of profits tax provision relating to prior years	59	214	3
	215	(195)	92

b) Deferred tax assets and liabilities recognised:

Deferred tax liabilities recognised in the balance sheet and the movements during the year (arising from depreciation allowances in excess of the related depreciation) are as follows:

	2005	**2006**	**2007**
	CAD'000	*CAD'000*	*CAD'000*
At 1 January	94	94	232
Deferred tax expense recognised in the income statement *(note 9(a))*	–	138	(43)
At 31 December	94	232	189

17. Intangible assets

	Smart Class Group Trademark
	CAD'000
Cost	
At 1 January 2005, 31 December 2005, 2006 and 2007	2,970
Net book value	
At 31 December 2005	2,970
At 31 December 2006	2,970
At 31 December 2007	2,970

The intangible assets are assessed as having indefinite useful lives.

The recoverable amount of the trademark has been assessed based on a value in use calculation performed by an independent professional valuer.

18. Trade and other receivables

	Smart Class Group		
	2005	**2006**	**2007**
	CAD'000	*CAD'000*	*CAD'000*
Trade receivables	3,030	2,423	2,028
Prepayments, rental deposits and other receivables	302	414	838
	3,332	2,837	2,866

Note:

(i) All of trade and other receivables, apart from rental and other deposits, are expected to be recovered or recognised as expenses within one year.

(a) Aging analysis

The aging analysis of trade receivables as of the balance sheet date is as follows:

	Smart Class Group		
	2005	**2006**	**2007**
	CAD'000	*CAD'000*	*CAD'000*
Within 1 month	1,413	1,220	808
More than 1 month but within 3 months	559	616	256
More than 3 months but within 6 months	589	306	581
More than 6 months but within 1 year	470	283	383
	3,031	2,425	2,028
Less: Impairment loss of bad and doubtful debts	(1)	(2)	–
	3,030	2,423	2,028

Trade receivables are usually due within 3 months from the date of billing.

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Smart Class Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly, and any movements held in the allowance account relating to those doubtful debts are reversed.

The movement in the allowance for doubtful debts during the year is as follows:

	Smart Class Group		
	2005	**2006**	**2007**
	CAD'000	*CAD'000*	*CAD'000*
As at 1 January	–	1	2
Uncollectible amounts written off	–	–	(2)
Impairment loss recognised *	1	1	–
As at 31 December	1	2	–

* *As at 31 December 2005 and 2006, the Smart Class Group's trade receivables of approximately CAD1,000 and CAD2,000 were individually impaired respectively. The individually impaired receivables related to invoices that were default in payments and management assessed that it is highly unlikely that the receivables could be recovered.*

(c) Trade receivables that are not impaired

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	Smart Class Group		
	2005	**2006**	**2007**
	CAD'000	*CAD'000*	*CAD'000*
Neither past due nor impaired	1,972	1,836	1,064
3 to 12 months past due	1,058	587	964
	3,030	2,423	2,028

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Smart Class Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been any significant change in credit quality and the balances are still considered fully recoverable. The Smart Class Group does not hold any collateral over these balances.

19. Security deposits

Security deposits represent amounts deposited with the Government of Quebec as required by provisional legislation.

20. Cash and cash equivalents

	2005	**2006**	**2007**
	CAD'000	*CAD'000*	*CAD'000*
Deposits with banks	40	40	516
Cash at bank and in hand	629	1,327	903
Cash and cash equivalents in the balance sheet	669	1,367	1,419
Bank overdrafts	(24)	(39)	(120)
Deposits with banks	(40)	(40)	(516)
Cash and cash equivalents in the consolidated cash flow statements	605	1,288	783

The cash and cash equivalents of the Smart Class Group are mainly denominated in CAD and US dollars ("USD").

Denominated in:

	2005	2006	2007
	CAD'000	*CAD'000*	*CAD'000*
USD	58	103	118
CAD	547	1,185	665
	605	1,288	783

21. Trade and other payables

	2005	2006	2007
	CAD'000	*CAD'000*	*CAD'000*
Trade payables	2,000	1,960	2,518
Accrued charges and other payables	823	530	310
Customer deposits	155	178	472
	2,978	2,668	3,300

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:

	2005	2006	2007
	CAD'000	*CAD'000*	*CAD'000*
Current	1,160	1,101	2,019
31 to 60 days	136	89	100
61 to 90 days	68	44	243
Over 90 days	636	726	156
	2,000	1,960	2,518

22. Deferred income

Deferred revenue comprises of a sign-up bonus for an on-line ticket processing system and is recognised as revenue in accordance with the terms of the agreements.

23. Obligations under finance leases

The Smart Class Group had obligations under finance leases repayable for the purchase of motor vehicles as follows:

	2005			2006			2007		
	Present value of the minimum lease payments	Interest expense relating to future periods	Total minimum lease payments	Present value of the minimum lease payments	Interest expense relating to future periods	Total minimum lease payments	Present value of the minimum lease payments	Interest expense relating to future periods	Total minimum lease payments
	CAD'000	*CAD'000*	*CAD'000*	*CAD'000*	*CAD'000*	*CAD'000*	*CAD'000*	*CAD'000*	*CAD'000*
Within 1 year	37	6	43	28	4	32	–	–	–
After 1 year but within 2 years	79	8	87	51	4	55	–	–	–
	116	14	130	79	8	87	–	–	–

24. Due to ultimate holding company

The Smart Class Group and Smart Class

The amounts are unsecured, interest-free and have no fixed term of repayment.

25. Due to minority shareholders

The amounts are unsecured, interest-free and have no fixed term of repayment.

26. Share capital

	Number of shares	Nominal value CAD
Authorised:		
Ordinary shares of USD1 each		
At 31 December 2005, 2006 and 2007	50,000	50,000

		CAD
Issued and fully paid:		
Ordinary share(s) of USD1 each		
At 31 December 2005, 2006	1	1
Shares issued	49,999	49,999
At 31 December 2007	50,000	50,000

27. Reserves

The Smart Class Group

	Share premium *CAD'000*	Exchange reserve *CAD'000*	Accumulated losses *CAD'000*	Total reserve *CAD'000*	Minority interests *CAD'000*	Total *CAD'000*
At 1 January 2005	–	29	(1,677)	(1,648)	144	(1,504)
Exchange adjustment	–	9	–	9	–	9
Loss for the year	–	–	(6)	(6)	(1)	(7)
At 31 December 2005	–	38	(1,683)	(1,645)	143	(1,502)
At 1 January 2006	–	38	(1,683)	(1,645)	143	(1,502)
Exchange adjustment	–	2	–	2	–	2
Loss for the year	–	–	(36)	(36)	(9)	(45)
At 31 December 2006	–	40	(1,719)	(1,679)	134	(1,545)
At 1 January 2007	–	40	(1,719)	(1,679)	134	(1,545)
Exchange adjustment	–	58	–	58	10	68
Issued share	1,950	–	–	1,950	–	1,950
Profit for the year	–	–	174	174	52	226
At 31 December 2007	1,950	98	(1,545)	503	196	699

Smart Class

	Share premium	Exchange reserve	Accumulated losses	Total
	CAD'000	*CAD'000*	*CAD'000*	*CAD'000*
At 1 January 2005	–	–	(23)	(23)
Loss for the year	–	–	(1)	(1)
At 31 December 2005	–	–	(24)	(24)
At 1 January 2006	–	–	(24)	(24)
Loss for the year	–	–	(1)	(1)
At 31 December 2006	–	–	(25)	(25)
At 1 January 2007	–	–	(25)	(25)
Exchange adjustment	–	34	–	34
Issued share	1,950	–	–	1,950
Loss for the year	–	–	(34)	(34)
At 31 December 2007	1,950	34	(59)	1,925

28. Operating lease commitments

At 31 December 2005, 2006 and 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2005	2006	2007
	CAD'000	*CAD'000*	*CAD'000*
Within one year	65	105	59
In the second to fifth years, inclusive	82	49	55
	147	154	114

The Smart Class Group leases a number of properties for office and retail shops under operating leases. The leases typically run for an initial period of two to five years.

29. Contingent liabilities

During the financial period, Jade Travel Ltd. had obtained letters of guarantee from the bank amounted to CAD809,000 and US$478,000 as at 31 December 2007 and CAD725,000 as at 31 December 2006 in favour of various airlines to ensure payment of airline ticket purchases.

30. Related party transactions

a) Key Management personnel remuneration

Remuneration for key management personnel of the Smart Class Group, including certain of the highest paid employees as disclosed in note 11, is as follows:

	2005	**2006**	**2007**
	CAD'000	*CAD'000*	*CAD'000*
Salaries, allowance and benefits in kind	319	368	251
Retirement benefit scheme contribution	26	29	20
	345	397	271

b) Financial guarantee from shareholders

During the year, Mr. Yeung Hoi Sing, Sonny, an ultimate beneficial shareholder of Smart Class, gave personal guarantees to a bank to secure a bank loan amounting to CAD1,500,000 granted to a subsidiary of Smart Class.

c) i) The Smart Class Group paid a management fee CAD265,000 (2006: CAD244,000, 2005: CAD263,000) to Sit & Lee Investment Limited, a private company owned by Mr. Simon Lee, a director of certain subsidiaries of Smart Class.

ii) The Smart Class Group paid a management fee CAD102,000 (2006: CAD93,000, 2005: CAD74,000) to 1438205 Ontario, Inc., a company owned by the top management of a subsidiary of Smart Class.

31. Ultimate controlling parent company

As at 31 December 2005, 2006 and 2007, the ultimate controlling parent company of the Smart Class Group was Star Spangle Corporation, which was incorporated in the British Virgin Islands with limited liability.

32. Post balance sheet event

After the closing date of 31 December 2007, 2078228 Ontario Corp., a subsidiary of Smart Class, incorporated in Canada, had assigned all its assets to Jade Travel Ltd. (Canada). After the distribution of all its assets, 2078228 Ontario Corp. is in the process of dissolved.

After the year ended 31 December 2007, Jade Travel Ltd. (Canada), a subsidiary of Smart Class, had entered into a purchase agreement with an independent third party for the purchase of the properties located in Town of Richmond Hill, Ontario, Canada at a purchase price of CAD2,363,738.

33. Subsequent financial statements

No audited financial statements have been prepared by the Smart Class Group in respect of any period subsequent to 31 December 2007.

34. Possible impact of amendments, new standards and interpretations issued but not yet effective, for the year ended 31 December 2007

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2007 and which have not been adopted in these financial statements.

The Smart Class Group is in the process of making an assessment of the impact of these amendments, new standards and new interpretations expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on Smart Class's results of operation and financial position.

In addition, the following developments may result in new or amended disclosures in the financial statements:

	Effective for accounting periods beginning on or after
HKAS 1 (Revised), *Presentation of Financial Statements*	1 January 2009
HKAS 23 (Revised), *Borrowing Costs*	1 January 2009
HKAS 27 (Revised), *Consolidated and Separate Financial Statements*	1 July 2009
HKFRS 3 (Revised), *Business Combinations*	1 July 2009
HKFRS 8, *Operating Segments*	1 January 2009
HK(IFRIC) – Int 11, *HKFRS 2 – Group and Treasury Share Transaction*	1 March 2007
HK(IFRIC) – Int 12, *Service Concession Arrangement*	1 January 2008
HK(IFRIC) – Int 13, *Customer Loyalty Programmes*	1 July 2008
HK(IFRIC) – Int 14, *HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction*	1 January 2008

Yours faithfully

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Delores Teh
Practising Certificate Number P03207

(A) MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

Set out below is the management discussion and analysis on the Group for the three years ended 30 September 2007:

(a) For the year ended 30 September 2005

Financial review

Total turnover of the Group for the year ended 30 September 2005 was approximately HK$100.9 million (2004: approximately HK$192.0 million). The decrease in total turnover was mainly due to the disposal of certain non-core construction and retail businesses in 2004 with turnover of approximately HK$130.4 million as part of the Group reorganisation to focus on expanding gaming and entertainment-related business which includes the leasing and management of cruise.

Turnover from the Group's core business was approximately HK$100.9 million in 2005, representing approximately 63.8% increase from that of 2004 (2004: approximately HK$61.6 million). Such increase was primarily due to the recording of full year charter fee and management fee income generated from the cruise business in 2005.

Profit attributable to the equity holders of the Company amounted to approximately HK$12.3 million for the year ended 30 September 2005, representing a decrease of approximately 20.1% as compared to that of 2004 (2004: approximately HK$15.4 million). Profit after tax in 2004 included one-off gains, which included the waiver of loan and gains on disposal of discontinued operations amounted to approximately HK$6.3 million. Excluding these one-off gains recorded in 2004, profit attributable to the equity holders of the Company in 2005 would have a remarkable increase of approximately 35%. In addition, the Group's operating profit increased by approximately 5.3% to approximately HK$31.9 million in 2005 (2004: approximately HK$30.3 million). Operating profit margin achieved approximately 31.6% in 2005, an improvement of approximately 100% compared to approximately 15.8% in 2004, attributable to the effective cost optimisation measures and corporate restructuring.

Segment information

The Group is principally engaged in (i) cruise leasing and management business in South East Asia (excluding Hong Kong); and (ii) travel-related agency business in Hong Kong and Macau. Each of the Group's business segment represents a strategic business unit. Cruise leasing and management business contributed approximately HK$95.4 million, or approximately 94.5% of the Group's total turnover for the year of 2005, which is comparable to the turnover contributing to the continuing operation of the Group of approximately 93.8%, or approximately HK$57.8 million in 2004. Travel business contributed approximately HK$5.5 million or approximately 5.5% of the Group's total turnover in 2005. Segment profit generated from cruise leasing and management in 2005 amounted to approximately HK$43.4 million (2004: approximately HK$28.2 million), whereas segment loss generated from travel business in 2005 amounted to approximately HK$0.8 million (2004: approximately HK$0.6 million).

In 2004, the Group discontinued the operation of its construction and retail business in order to focus on the Group's gaming and entertainment-related businesses. The discontinued operation contributed approximately HK$130.4 million to the Group's total turnover in 2004, representing approximately 67.9% of the Group's total turnover in 2004.

With respect to geographical segments, turnover and segment profit generated from the South East Asia region (excluding Hong Kong) in 2005 amounted to approximately HK$95.4 million and HK$43.4 million respectively, doubled that in 2004, which was approximately HK$57.8 million and HK$28.2 million respectively. Turnover and segment loss generated from Hong Kong and Macau in 2005 amounted to approximately HK$5.5 million (2004: approximately HK$3.8 million from continuing operations) and HK$0.8 million (2004: approximately HK$0.6 million from continuing operations) respectively.

Liquidity, financial resources and gearing

As at 30 September 2005, the Group had net current assets of approximately HK$199.5 million (2004: approximately HK$28.9 million) and had net assets (after minority interests) of approximately HK$649.5 million (2004: approximately HK$86.2 million). Current assets amounted to approximately HK$204.7 million (2004: approximately HK$37.0 million), of which approximately HK$190.7 million (2004: approximately HK$31.3 million) was cash and cash equivalents. Current liabilities amounted to approximately HK$5.2 million (2004: approximately HK$8.1 million) which mainly comprised other payables and accruals.

As at 30 September 2005, the Group did not have any interest bearing borrowings (2004: approximately HK$1.7 million), bank loan or obligations under finance leases (2004: HK$Nil).

As at 30 September 2005, there were loans from minority shareholders of approximately HK$26.2 million (2004: approximately HK$31.5 million), which was interest-free, unsecured and without fixed repayment term. Since there was no interest-bearing borrowings, the gearing ratio which was calculated on the basis of the interest-bearing borrowings of the Group over equity attributable to equity holders of the Company was nil in 2005 (2004: approximately 1.9%).

Capital structure

In November 2004, the Company completed a top-up placing of 317,000,000 Shares at a price of HK$1.28 per Share. The net proceeds raised by the Company from the placing amounted to approximately HK$370 million, of which approximately HK$167 million was for the investment and development of Ponte 16, approximately HK$111 million was for other possible investment opportunities in hotel and tourists-related projects, and approximately HK$92 million was for general working capital of the Group.

Foreign currency risk

Since most of the Group's monetary assets and liabilities were denominated in Hong Kong dollars and the Group conducted its business transactions principally in Hong Kong dollars, thus the exchange rate risk of the Group was not significant.

Charge on the Group's assets

As at 30 September 2005, the Group pledged time deposits of approximately HK$0.7 million (2004: approximately HK$0.2 million) to certain banks for issuance of several bank guarantees of approximately HK$0.7 million (2004: approximately HK$0.2 million) for the operation of the Group.

Significant investments

On 13 July 2005, Top Region Assets Limited ("Top Region"), a wholly-owned subsidiary of the Company, entered into an agreement with two independent third parties for the acquisition of approximately 8.13% interest in the issued share capital of Triumph Up Investments Limited ("Triumph Up"), a company incorporated in the BVI, at a consideration of approximately HK$22.8 million. Including the acquisition expenses, the total investment cost was approximately HK$25.2 million (2004: HK$Nil).

Material acquisition and disposals of subsidiaries and associated companies

On 18 November 2004, World Fortune Limited ("World Fortune"), a then indirect wholly-owned subsidiary of the Company, increased its shareholding in Pier 16 – Property Development Limited ("Pier 16 – Property Development") to 24.5% by acquiring 14.5% of such equity interest from SJM – Investimentos Limitada ("SJM – Investimentos") at a consideration of MOP1,450,000 (equivalent to approximately HK$1,400,000) (the "Ponte 16 Acquisition I"). After completion of the Ponte 16 Acquisition I, Pier 16 – Property Development was owned as to 51%, 24.5% and 24.5% by SJM – Investimentos, World Fortune and Joy Idea Investments Limited ("Joy Idea") respectively. On 11 May 2005, World Fortune, as purchaser, entered into a sale and purchase agreement with Joy Idea, as vendor, for the sale and purchase of 12.25% equity interest in, and the related loan to, Pier 16 – Property Development at an aggregate consideration of approximately HK$99.25 million (the "Ponte 16 Acquisition II"). The Ponte 16 Acquisition II was completed on 5 July 2005 whereupon Pier 16 – Property Development was owned as to 51%, 36.75% and 12.25% by SJM – Investimentos, World Fortune and Joy Idea respectively.

Contingent liabilities

As at 30 September 2005, the Group had no contingent liabilities (2004: HK$Nil).

Capital commitments

As at 30 September 2005, the Group's contracted for but not provided for capital commitment amounted to HK$1,021,000 (2004: HK$Nil), and had no authorised but not contracted for capital commitment (2004: HK$180,000).

In addition, as at 30 September 2005, the Group's commitment for future minimum lease payments under non-cancellable operating lease in respect of rented premises which fall due within one year amounted to HK$972,000 (2004: HK$925,000), and which fall due in the second to fifth year, inclusive, amounted to HK$58,000 (2004: HK$831,000).

Employee information

As at 30 September 2005, the Group had approximately 320 employees. Staff costs incurred during the year amounted to approximately HK$27.4 million (2004: approximately HK$18.8 million). Remuneration is determined with reference to qualifications, experience, responsibility and performance of the staff concerned. Apart from the basic remuneration, staff benefits include medical insurance and retirement benefits under the Mandatory Provident Fund Scheme. Share options might also be granted to eligible employees of the Group.

(b) For the year ended 30 September 2006

Financial review

Total turnover of the Group for the year ended 30 September 2006 increased by approximately 2.6% to approximately HK$103.5 million from approximately HK$100.9 million in 2005. Turnover from cruise business remained stable with approximately HK$95.7 million as compared to approximately HK$95.4 million in 2005.

The Group's core business demonstrated steady growth during 2006. Profit attributable to the equity holders of the Company amounted to approximately HK$28.4 million, representing an increase of approximately 130.9% compared to approximately HK$12.3 million in 2005. In addition, operating profit of the Group increased by approximately 53.3% to approximately HK$48.9 million from approximately HK$31.9 million in 2005. The operating profit margin reached approximately 47.2% in 2006 (2005: approximately 31.6%). The increase was primarily attributable to the increase in interest income from approximately HK$4.4 million in 2005 to approximately HK$20.6 million in 2006 as a result of net proceeds of approximately HK$252 million raised in April 2006 and loan interest of approximately HK$10 million earned in 2006 in relation to a loan of HK$50 million, details of the latter is disclosed in note 31 of Appendix I to this circular.

Segment information

Each of the Group's business segment represents a strategic business unit. The Group is engaged in (i) cruise leasing and provision of management services to the cruise; and (ii) travel-related agency business. Cruise leasing and management business contributed approximately HK$95.7 million (2005: approximately HK$95.4 million) or approximately 92.5% (2005: approximately 94.5%) of the Group's total turnover in 2006. Turnover generated from travel business in 2006 amounted to approximately HK$7.8 million (2005: approximately HK$5.5 million) or approximately 7.5% of the Group's total turnover in 2006 (2005: approximately 5.5%). Segment profit generated from cruise leasing and management in 2006 amounted to approximately HK$45.0 million (2005: approximately HK$43.4 million), whereas segment loss generated from travel business in 2006 amounted to approximately HK$0.5 million (2005: approximately HK$0.8 million).

Turnover and segment profit derived from the South East Asia region (excluding Hong Kong) in 2006 amounted to approximately HK$95.7 million (2005: approximately HK$95.4 million) and HK$45.0 million (2005: approximately HK$43.4 million) respectively. Turnover and segment loss generated from Hong Kong amounted to approximately HK$7.8 million (2005: approximately HK$5.5 million) and approximately HK$0.5 million (2005: approximately HK$0.8 million) respectively.

Liquidity, financial resources and gearing

As at 30 September 2006, the Group had net current assets of approximately HK$478.1 million (2005: approximately HK$199.5 million) and net assets (after minority interests) of approximately HK$926.6 million (2005: approximately HK$649.5 million). Current assets amounted to approximately HK$484.3 million (2005: approximately 204.7 million), of which approximately HK$469.6 million (2005: approximately HK$190.7 million) was cash and cash equivalents. Current liabilities amounted to approximately HK$6.2 million (2005: approximately HK$5.2 million) which mainly comprised trade and other payables.

As at 30 September 2006, the Group did not have any interest-bearing borrowings, bank loans or financial lease obligations.

As at 30 September 2006, there were loans from minority shareholders of approximately HK$5.1 million (2005: approximately HK$26.2 million). The loans were interest-free, unsecured and did not have fixed repayment term. Since there was no interest-bearing borrowings, the gearing ratio, which was calculated on the basis of the Group's interest-bearing borrowings over equity attributable to equity holders of the Company, was nil for both 2006 and 2005.

Capital structure

On 25 April 2006, the Company issued and allotted 235,000,000 new Shares in relation to a top-up placing of 235,000,000 Shares at a price of HK$1.09 per Share. The net proceeds raised by the Company therefrom amounted to approximately HK$252 million which was used as general working capital of the Group.

Foreign exchange exposure

Since most of the Group's monetary assets and liabilities were denominated in Hong Kong dollars and the Group conducted its business transactions principally in Hong Kong dollars, thus the exchange rate risk of the Group was not significant.

Charge on the Group's assets

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

Significant investments

On 13 June 2006, Top Region, as vendor, entered into a sale and purchase agreement with China Star Entertainment Limited ("China Star"), as purchaser and the issued shares of which are listed on the Stock Exchange, for the disposal of approximately 8.13% interest in the issued share capital of Triumph Up at a consideration of approximately HK$36.1 million to China Star. The disposal was completed on 30 May 2007 with a gain of approximately HK$10.3 million.

Material acquisitions and disposals of subsidiaries and associated companies

The Group had no material acquisitions or disposals of subsidiaries and associated companies during 2006.

Employee information

As at 30 September 2006, the Group had approximately 340 employees. Staff costs for the year was approximately HK$31.8 million (2005: approximately HK$27.4 million). Remuneration is determined with reference to qualifications, experience, responsibility and performance. Apart from the basic remuneration, staff benefits include medical insurance and retirement benefits under the Mandatory Provident Fund Scheme. Share options might also be granted to eligible employees of the Group as a long-term incentive.

Contingent liabilities

As at 30 September 2006, the Group had no contingent liabilities (2005: HK$Nil).

Capital commitments

As at 30 September 2006, the Group had no capital commitment (2005: HK$1,021,000) and had no authorised but not contracted for capital commitment (2005: HK$Nil).

In addition, as at 30 September 2006, the Group's commitment for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due within one year amounted to HK$2,390,000 (2005: HK$972,000), and which fall due in the second to fifth year, inclusive, amounted to HK$1,959,000 (2005: HK$58,000).

(c) For the year ended 30 September 2007

Financial review

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

During the year ended 30 September 2007, there were gain on disposal of securities and investment amounted to approximately HK$4.4 million and HK$10.3 million respectively, details of which are disclosed under the paragraph headed significant investments in this section. Notwithstanding the above, profit from operation for the year ended 30 September 2007 was only approximately HK$34.1 million and operating profit margin decreased to approximately 32.8% in 2007 (2006: approximately HK$48.9 million and 47.2% respectively). It was mainly due to the increase in fuel oil price and operating costs during the year which adversely affected the Group's cruise leasing and management operation.

In addition, there was an increase in sharing of loss from associates amounted to approximately HK$15.5 million (2006: approximately HK$0.4 million), which resulted in the profit attributable to the equity holders of the Company decreased to approximately HK$2.3 million in 2007 (2006: approximately HK$28.4 million). Prior to the commencement of business of the Group's flagship investment project, Ponte 16, there were pre-operating expenses incurred before its grand-opening which led to the increase in loss shared by the Group.

Segment information

Cruise leasing and management business contributed approximately HK$95.9 million (2006: approximately HK$95.7 million) or approximately 92.4% (2006: approximately 92.5%) of the Group's total turnover in 2007. Turnover generated from travel business in 2007 amounted to approximately HK$7.9 million (2006: approximately HK$7.8 million) or approximately 7.6% of the Group's total turnover in 2007 (2006: approximately 7.5%). Segment profit generated from cruise leasing and management in 2007 amounted to approximately HK$32.0 million (2006: approximately 45.0 million), whereas segment loss generated from travel business in 2007 amounted to approximately HK$0.5 million (2006: approximately HK$0.5 million).

Turnover and segment profit derived from the South East Asia region (excluding Hong Kong) in 2007 amounted to approximately HK$95.9 million (2006: approximately HK$95.7 million) and HK$32.0 million (2006: approximately HK$45.0 million) respectively. Turnover and segment loss generated from Hong Kong and Macau amounted to approximately HK$7.9 million (2006: approximately HK$7.8 million) and approximately HK$0.5 million (2006: approximately HK$0.5 million) respectively.

Liquidity, financial resources and gearing

As at 30 September 2007, the Group had net current assets of approximately HK$113.8 million (2006: approximately HK$478.1 million) and had net assets (after minority interests) of approximately HK$976.9 million (2006: approximately HK$926.6 million). Current assets amounted to approximately HK221.2 million (2006: approximately HK$484.3 million), of which approximately HK$201.5 million (2006: approximately HK$469.6 million) was cash and cash equivalents. Current liabilities amounted to approximately HK$107.4 million (2006: approximately HK$6.2 million) which mainly comprised trade and other payables. The substantial increase in the balance of current liabilities was mainly due to a deposit amounted to HK$100 million received from Maruhan in relation to the disposal of 10.2% equity interest in, and related loan to, World Fortune at an aggregate consideration of approximately HK$208.5 million. Such disposal was completed on 29 October 2007.

As at 30 September 2007, the Group had no interest-bearing borrowings, bank loan or lease obligations (2006: HK$Nil).

As at 30 September 2007, the loans provided by minority shareholders were repaid during 2007 (2006: approximately HK$5.1 million). The loans were unsecured, non-interest bearing and had no fixed repayment term. Since there was no interest-bearing borrowings, the gearing ratio (interest-bearing borrowings divided by equity attributable to equity shareholders of the Company) was zero for both 2007 and 2006.

Capital structure

Upon completion of the acquisition of 12.25% equity interest in, and the related loan to, Pier 16 – Property Development, from Joy Idea on 28 February 2007, 60,000,000 new Shares were allotted and issued at an issue price of HK$0.80 per Share to Joy Idea to satisfy part of the consideration.

Foreign exchange exposure

Since most of the Group's monetary assets and liabilities were denominated in Hong Kong dollars and the Group conducted its business transactions principally in Hong Kong dollars, thus the exchange rate risk of the Group was not significant.

Charge on the Group's assets

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

As at 30 September 2007, World Fortune, a then indirect wholly-owned subsidiary of the Company, pledged all (2006: HK$Nil) of its shares in Pier 16 – Property Development to a bank, for and on behalf of a syndicate of lenders, being eight leading banks in Macau and Hong Kong, in respect of a syndicated loan facility of HK$1,600 million granted to Pier 16 – Property Development for the development of the Ponte 16.

Significant investments

The disposal of approximately 8.13% interest in the then issued share capital of Triumph Up from Top Region to China Star at a consideration of approximately HK$36.1 million pursuant to the sale and purchase agreement dated 13 June 2006 was completed on 30 May 2007 with a gain of approximately HK$10.3 million.

During the year ended 30 September 2007, Better Talent Limited, an indirect wholly-owned subsidiary of the Company, as subscriber, entered into a subscription agreement with China Star for the subscription of China Star's zero coupon unsecured convertible bonds at the subscription price of approximately HK$11.9 million. The convertible bonds were exercised and converted into ordinary shares of China Star and such shares were subsequently disposed of in the open market during the year. The net proceeds received was approximately HK$16.3 million and gain on disposal of such shares was approximately HK$4.4 million.

Material acquisitions and disposals of subsidiaries and associated companies

On 30 November 2006, World Fortune, as purchaser, entered into a sale and purchase agreement with Joy Idea, as vendor, for the acquisition of 12.25% equity interest in, and the related loan to, Pier 16 – Property Development from Joy Idea at an aggregate consideration of HK$200 million. The consideration was settled as to by HK$152 million in cash and as to HK$48 million through the allotment and issue of 60,000,000 new Shares at an agreed issue price of HK$0.80 per Share. The acquisition was completed on 28 February 2007 and 60,000,000 Shares were issued to Joy Idea. As a result of such acquisition, Pier 16 – Property Development was owned as to 51% and 49% by SJM – Investimentos and World Fortune respectively.

Employment information

As at 30 September 2007, the Group had approximately 360 employees. Staff costs for the year was approximately HK$36.0 million (2006: approximately HK$31.8 million). Remuneration is determined on the basis of qualification, experience, responsibility and performance. In addition to salaries, staff benefits include medical insurance and retirement benefits under the Mandatory Provident Fund Scheme. Share options might be granted to eligible employees of the Group as a long-term incentive.

Contingent liabilities

As at 30 September 2007, the Company had contingent liabilities as follows:

(a) With regard to the corporate guarantee provided by the Company to secure syndicated loan facility of HK$1,600 million granted to Pier 16 – Property Development for the development of Ponte 16, the maximum guarantee amount borne by the Company was HK$860 million (2006: HK$Nil).

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

Review of operations and future prospects

The cruise business continues to provide a stable income to the Group. Currently, the Group's travel business consists of two travel agency companies, one in Hong Kong and one in Macau. Through these companies, the Group is able to offer a wide range of one-stop travel services to travellers, in particular tourists to Macau. After Completion, the Jade Travel Group will become part of the Enlarged Group's travel business and the Enlarged Group's offices located in Canada, US, Hong Kong and Macau will form a new platform which offer private tours and travel plans to tourists to and from these locations such that the economies of scale and operational efficiency of the Enlarged Group's travel business will be enhanced and improved.

Following the more developed gaming industry in Macau, it is observed that more tourists from North America are interested in having vacations in the Asia Pacific region, including Macau. The Directors consider that the Acquisition is in line with the Group's strategy to develop its travel business into a platform to bring in new high-end customers from the North America region to the Asia-Pacific region.

The Group dedicates its resources to promoting and developing Ponte 16 which includes casino, hotel and food and beverages facilities to become a world-class and well known holiday and entertainment resort in Asia. To broaden the customer and revenue base of Ponte 16, the Group has invited Maruhan to be a strategic investor of Ponte 16 in October 2007. The travel business in Japan has great potential for further development as it has been a popular tourist destination and its popularity has grown continuously over the past years. Leveraging on the extensive experience of the Group's Japanese partners in entertainment industry and business network in Japan, the Enlarged Group may further explore its travel business and entertainment related business opportunities in Japan. Coupled with the confidence in Macau's economy in particular its tourism industry, the Directors consider that the Acquisition can strengthen the Group's travel business and will enhance the business of Ponte 16, the Group's flagship integrated casino-resort project.

(B) MANAGEMENT DISCUSSION AND ANALYSIS ON THE SMART CLASS GROUP

Set out below is the management discussion and analysis on the Smart Class Group for the three years ended 31 December 2007:

(a) For the year ended 31 December 2005

Financial review

For the year ended 31 December 2005, the Smart Class Group recorded turnover of approximately CAD236.5 million (equivalent to approximately HK$1,844.7 million) which was mainly contributed by sales of air tickets and organization of tour services.

For the year ended 31 December 2005, administrative expenses were approximately CAD7.7 million (equivalent to approximately HK$60.1 million), mainly comprising staff cost and office rental expenses.

For the year ended 31 December 2005, the Smart Class Group recorded a net loss (after minority interests) of approximately CAD6,000 (equivalent to approximately HK$46,800).

Segment information

The Smart Class Group is principally engaged in two business segments, the wholesale and retail of air tickets and tour packages. Over 90% of the Smart Class Group's turnover were from wholesale and retail of air tickets, therefore no business segment was presented in its audited consolidated financial statements.

The Smart Class Group's turnover was mainly derived from US and Canada. Over 90% of the turnover of the Smart Class Group, or approximately CAD215.3 million (equivalent to approximately HK$1,679.3 million) was generated from Canada. Management of the Smart Class Group expected that the business of the Smart Class Group would be affected by the increasing competition in the industry, but the growth in demand for worldwide traveling would offset the negative impact of the increasing competition.

Business review and prospects

The Smart Class Group is principally engaged in sales of air tickets and the business of tour operator with offices in Canada and US. The directors of Smart Class were optimistic that although tour industry was competitive, the business operation was stable.

Exchange risk

The transactions of the Smart Class Group were mainly denominated in CAD and USD. As the income denominated in USD accounted for only 9% of the total income of the Smart Class Group, representing approximately USD21.2 million (equivalent to approximately HK$165.4 million), the directors of Smart Class considered that the Smart Class Group was not exposed to any material foreign currency exchange risk.

Capital structure, financial resources, liquidity and gearing ratio

Capital structure

No share capital movement was made during the year.

Financial resources

As at 31 December 2005, the Smart Class Group had net current liabilities of approximately CAD4.87 million (equivalent to approximately HK$38.0 million) and had capital deficiency (after minority interests) of approximately CAD1.65 million (equivalent to approximately HK$12.9 million). Current assets amounted to approximately CAD4.36 million (equivalent to approximately HK$34.0 million), of which approximately CAD0.67 million (equivalent to approximately HK$5.2 million) was cash and cash equivalents. Current liabilities amounted to approximately CAD9.23 million (equivalent to approximately HK$72.0 million) which mainly comprised trade and other payables, amounts due to the Vendor and amounts due to minority shareholders.

Liquidity and gearing ratio

The Smart Class Group's liquidity ratio calculated as current assets over current liabilities and gearing ratio calculated as bank borrowings over shareholders' fund were approximately 47% and immaterial respectively as at 31 December 2005.

Treasury policies

Financial risk management objectives and policies

The Smart Class Group did not have written financial risk management policies and guidelines during the year. However, the directors of Smart Class periodically analysed and reviewed exposure to credit risk, interest rate risk and currency exchange rate risk. Generally, the Smart Class Group employs a conservative strategy regarding its risk management.

Bank borrowings

The Smart Class Group did not have any bank borrowings except incidental bank overdraft of approximately CAD0.02 million (equivalent to approximately HK$0.16 million) as at 31 December 2005.

Financial instruments

No financial instruments for hedging purpose and foreign exchange hedging had been employed by the Smart Class Group during the year.

Charges on assets

The Smart Class Group did not have any assets pledged to secure bank loans and facilities as at 31 December 2005.

Contingent liabilities

The Smart Class Group did not have any material contingent liabilities as at 31 December 2005.

Capital commitments

No significant capital commitments was made by the Smart Class Group as at 31 December 2005.

Material acquisitions and disposals of subsidiaries and associated companies, and significant investments

The Smart Class Group did not have any material acquisitions and disposals of subsidiaries and associated companies, and significant investments during the year ended 31 December 2005.

Employees

As at 31 December 2005, the Smart Class Group had around 120 staff and staff costs including directors' emoluments for the year of 2005 were approximately CAD5.1 million (equivalent to approximately HK$39.8 million).

(b) For the year ended 31 December 2006

Financial review

For the year ended 31 December 2006, the Smart Class Group recorded turnover of approximately CAD225.5 million (equivalent to approximately HK$1,758.9 million) (2005: approximately CAD236.5 million (equivalent to approximately HK$1,844.7 million)) which was mainly contributed by sales of air tickets and organization of tour services.

For the year ended 31 December 2006, administrative expenses were approximately CAD7.6 million (equivalent to approximately HK$59.3 million) (2005: approximately CAD7.7 million (equivalent to approximately HK$60.1 million)), mainly comprising staff cost and office rental expenses, which was approximately the same as those of the year of 2005.

For the year ended 31 December 2006, the Smart Class Group recorded a net loss (after minority interests) of approximately CAD36,000 (equivalent to approximately HK$281,000) (2005: approximately CAD6,000 (equivalent to approximately HK$46,800)) mainly due to the slight decrease of turnover compared with that of the year of 2005.

Segment information

The Smart Class Group is principally engaged in two business segments, the wholesale and retail of air tickets and tour packages. Over 90% of the Smart Class Group's turnover were from wholesale and retail of air tickets, therefore no business segment was presented in its audited consolidated financial statements.

The Smart Class Group's turnover was mainly derived from US and Canada. Approximately CAD202.0 million (equivalent to approximately HK$1,575.6 million) (2005: approximately CAD215.3 million, equivalent to approximately HK$1,679.3 million) or approximately 90% (2005: approximately 91%) of the turnover of the Smart Class Group was generated from Canada. Turnover contributed by US increased from approximately CAD21.2 million (equivalent to approximately HK$165.4 million), or approximately 9% of the Smart Class Group's 2005 turnover to CAD23.5 million (equivalent to approximately HK$183.3 million), or approximately 10% of the Smart Class Group's turnover in 2006. Management expected that the contribution from US would continue to grow in the coming future.

Business review and prospects

The Smart Class Group is principally engaged in sales of air tickets and the business of tour operator with offices in Canada and US. The directors of Smart Class are optimistic that the business operation is stable although the Smart Class Group made loss for the year. The Smart Class Group would exercise more cost control measures in coming years in order to enhance its competitiveness.

Exchange risk

The transactions of the Smart Class Group were mainly denominated in CAD and USD. As the income denominated in USD accounted for only 10% of total income of the Smart Class Group, representing approximately USD23.5 million (equivalent to approximately HK$183.3 million), it was therefore considered that the Smart Class Group was not exposed to any material foreign currency exchange risk.

Capital structure, financial resources, liquidity and gearing ratio

Capital structure

No share capital movement was made during the year.

Financial resources

As at 31 December 2006, the Smart Class Group had net current liabilities of approximately CAD4.74 million (equivalent to approximately HK$36.97 million) and had capital deficiency (after minority interests) of approximately CAD1.68 million (equivalent to approximately HK$13.10 million). Current assets amounted to approximately CAD4.35 million (equivalent to approximately HK$33.93 million), of which approximately CAD1.37 million (equivalent to approximately HK$10.69 million) was cash and cash equivalents. Current liabilities amounted to approximately CAD9.09 million (equivalent to approximately HK$70.90 million) which mainly comprised trade and other payables, amounts due to the Vendor and amounts due to minority shareholders.

Liquidity and gearing ratio

The Smart Class Group's liquidity ratio calculated as current assets over current liabilities and gearing ratio calculated as bank borrowings over shareholders' fund were approximately 48% and immaterial respectively as at 31 December 2006.

Treasury policies

Financial risk management objectives and policies

The Smart Class Group did not have written financial risk management policies and guidelines during the year. However, the directors of Smart Class periodically analysed and reviewed exposure to credit risk, interest rate risk and currency exchange rate risk. Generally, the Smart Class Group employs a conservative strategy regarding its risk management.

Bank borrowings

The Smart Class Group did not have any bank borrowings except incidental bank overdraft of approximately CAD0.04 million (equivalent to approximately HK$0.31 million) as at 31 December 2006.

Financial instruments

No financial instruments for hedging purpose and foreign exchange hedging had been employed by the Smart Class Group during the year.

Charges on assets

The Smart Class Group did not have any assets pledged to secure bank loans and facilities as at 31 December 2006.

Contingent liabilities

During the year, the Smart Class Group had obtained letters of guarantee from the bank amounted to approximately CAD0.7 million (equivalent to approximately HK$5.5 million) in favour of various airlines to ensure payment of airline ticket purchases.

Capital commitments

No significant capital commitments was made by the Smart Class Group as at 31 December 2006.

Material acquisitions and disposals of subsidiaries and associated companies, and significant investments

The Smart Class Group did not have any material acquisitions and disposals of subsidiaries and associated companies, and significant investments during the year ended 31 December 2006.

Employees

As at 31 December 2006, the Smart Class Group had around 120 staff and staff costs including directors' emoluments for the year ended 31 December 2006 were approximately CAD5.0 million (equivalent to approximately HK$39.0 million).

(c) For the year ended 31 December 2007

Financial review

For the year ended 31 December 2007, the Smart Class Group recorded turnover of approximately CAD217.5 million (equivalent to approximately HK$1,696.5 million) (2006: approximately CAD225.5 million (equivalent to approximately HK$1,758.9 million)) which was mainly contributed by sales of air tickets and organization of tour services.

For the year ended 31 December 2007, administrative expenses were approximately CAD6.9 million (equivalent to approximately HK$53.8 million) (2006: approximately CAD7.6 million (equivalent to approximately HK$59.3 million)), mainly comprising staff cost and office rental expenses. Compared to that of the year 2006, the saving was mainly due to cost saving in staff cost and postage.

For the year ended 31 December 2007, the Smart Class Group recorded a net profit after tax and minority interests of approximately CAD174,000 (equivalent to approximately HK$1.4 million) (2006: net loss of approximately CAD36,000 (equivalent to approximately HK$281,000)).

Segment information

The Smart Class Group is principally engaged in two business segments, the wholesale and retail of air tickets and tour packages. Over 90% of the Smart Class Group's turnover were from wholesale and retail of air tickets, therefore no business segment was presented in its audited consolidated financial statements.

The Smart Class Group's turnover was mainly derived from US and Canada. Approximately CAD192.2 million (equivalent to approximately HK$1,499.2 million) (2006: approximately CAD202.0 million, equivalent to approximately HK$1,575.6 million), or approximately 88% (2006: approximately 90%) of the turnover of the Smart Class Group was generated from Canada, and the remaining was generated from US. Management would continue to expand its business in US to diversify its turnover source and reduce the turnover reliance on Canada market.

Business review and prospects

The Smart Class Group is principally engaged in sales of air tickets and the business of tour operator with offices in Canada and US. The directors of Smart Class Group expect that the travel industry would keep booming in coming years. During the year of 2007, the Smart Class Group exercised tight control of operating expenses in staff cost and postage cost in order to turnaround the business of the Smart Class Group. The directors of Smart Class expected that the new business opportunities would be leveraged by exploring more tourist from North America to Macau and the PRC.

Exchange risk

The transactions of the Smart Class Group were mainly denominated in CAD and USD. As the income denominated in USD accounted only 12% of total income of the Smart Class Group, representing approximately USD25.3 million (equivalent to approximately of HK$197.3 million), it was therefore considered that the Smart Class Group was not exposed to any material foreign currency exchange risk.

Capital structure, financial resources, liquidity and gearing ratio

Capital structure

During the year, Smart Class issued 49,999 shares at USD1 (equivalent to approximately HK$7.8) and approximately USD39 (equivalent to approximately HK$304.2) share premium each to the Vendor.

Financial resources

As at 31 December 2007, the Smart Class Group had net current liabilities of approximately CAD3.06 million (equivalent to approximately HK$23.87 million) and had net assets (after minority interests) of approximately CAD0.55 million (equivalent to approximately HK$4.29 million). Current assets amounted to approximately CAD4.51 million (equivalent to approximately HK$35.18 million), of which approximately CAD1.42 million (equivalent to approximately HK$11.08 million) was cash and cash equivalents. Current liabilities amounted to approximately CAD7.57 million (equivalent to approximately HK$59.05 million) which mainly comprised trade and other payables, amounts due to the Vendor and amounts due to minority shareholders.

Liquidity and gearing ratio

The Smart Class Group's liquidity ratio calculated as current assets over current liabilities and gearing ratio calculated as bank borrowings over shareholders' fund were approximately 60% and 22% respectively as at 31 December 2007.

Treasury policies

Financial risk management objectives and policies

The Smart Class Group did not have written financial risk management policies and guidelines during the year. However, the directors of Smart Class periodically analysed and reviewed exposure to credit risk, interest rate risk and currency exchange rate risk. Generally, the Smart Class Group employs a conservative strategy regarding its risk management.

Bank borrowings

The Smart Class Group did not have any bank borrowings except incidental bank overdraft of approximately CAD0.12 million (equivalent to approximately HK$0.94 million) as at 31 December 2007.

Financial instruments

No financial instruments for hedging purpose and foreign exchange hedging had been employed by the Smart Class Group during the year.

Charges on assets

The Smart Class Group did not have any asset pledged to secure bank loans and facilities as at 31 December 2007.

Contingent liabilities

During the year, the Smart Class Group had obtained a letter of guarantee from the bank amounted to approximately CAD1.3 million (equivalent to approximately HK$10.1 million) in favour of various airlines to secure payment of airline ticket purchases.

Capital commitments

No significant capital commitments was made by the Smart Class Group as at 31 December 2007.

Material acquisitions and disposals of subsidiaries and associated companies, and significant investments

During the year, the Smart Class Group acquired property and carried out leasehold improvement in Canada and upgraded its computer amounted to approximately CAD0.4 million (equivalent to approximately HK$3.1 million) and CAD0.2 million (equivalent to approximately HK$1.6 million) respectively.

Employees

As at 31 December 2007, the Smart Class Group had around 100 staff and staff costs including directors' emoluments for the year of 2007 were approximately CAD4.4 million (equivalent to approximately HK$34.3 million).

Review of operations and future prospects

The Smart Class Group is specialized in travel industry where changes are dynamic. The increase in operating costs and internet usage also have major impacts on staff cost and ticket postage. The Smart Class Group has overcome all those challenges and maintained its leadership position as major air tickets seller and tour operator to Asia. Currently, the Smart Class Group can be divided into two major business divisions: air ticket sellers and tour operations. The Smart Class Group has introduced internet booking with the change of distribution strategies of the airlines industry and impacted on the business models of most travel agencies focusing on selling air transportation as well as tour package. As a major market player in the Canadian travel industry, the Smart Class Group is in the process of shifting the business mix from sales of air tickets to tour package. In long-term plan, the Smart Class Group will reflect this transformation to ensure it is ahead of competition and ready for the future challenges. In view of the above, the directors of the Smart Class Group believe that the stable income in the travel business will bring benefit to the Enlarged Group.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the acquisition by the Company of entire issued share capital of Smart Class at the Consideration of CAD2,900,000 (equivalent to approximately HK$22,620,000) (the "Acquisition"). The Consideration will be settled by the allotment and issue of the Consideration Shares at an agreed issue price of HK$1.16 per Share.

1. Unaudited pro forma consolidated balance sheet

The unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared to illustrate the effect of the Acquisition.

The unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition as if they took place on 30 September 2007.

The unaudited pro forma consolidated balance sheet of the Enlarged Group is based on the audited consolidated balance sheet as at 30 September 2007 of the Group after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

The unaudited pro forma consolidated balance sheet is based on a number of assumptions. Accordingly, the accompanying unaudited pro forma consolidated balance sheet 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 2007. The unaudited pro forma consolidated balance sheet of the Enlarged Group does not purport to predict the future position of the Enlarged Group.

The unaudited pro forma consolidated balance sheet has been prepared by the Directors for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group following completion of the Acquisition.

	The Group as at 30 September 2007	Smart Class Group as at 31 December 2007	Pro forma adjustments relating to the Acquisition			Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited				Unaudited
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
	A	B	C	D	E	F=A+B+ C+D+E
NON-CURRENT ASSETS						
Property, plant and equipment	87,945	6,217	–	1,707	–	95,869
Deferred tax assets	–	1,474	–	–	–	1,474
Investment in associates	886,930	–	–	–	–	886,930
Investment in subsidiaries	–	–	25,620	(25,620)	–	–
Goodwill	1,313	–	–	20,343	–	21,656
Intangible assets	–	23,166	–	78	–	23,244
	976,188	30,857	25,620	(3,492)	–	1,029,173
CURRENT ASSETS						
Inventories	1,323	–	–	–	–	1,323
Trade and other receivables	18,398	22,354	–	–	–	40,752
Security deposit	–	1,022	–	–	–	1,022
Unpledged bank deposits	–	4,025	–	–	–	4,025
Pledged bank deposits	751	–	–	–	–	751
Tax recoverable	–	718	–	–	–	718
Due from immediate holding company	–	–	–	–	–	–
Cash and cash equivalents	200,719	7,043	(3,000)	–	–	204,762
	221,191	35,162	(3,000)	–	–	253,353
CURRENT LIABILITIES						
Bank overdrafts	–	936	–	–	–	936
Trade and other payables	106,422	25,740	–	–	–	132,162
Deferred income	–	975	–	–	–	975
Due to related parties	–	–	–	–	20,857	20,857
Due to ultimate controlling parent company	–	20,857	–	–	(20,857)	–
Due to minority shareholders	–	10,530	–	–	–	10,530
Tax payable	961	–	–	–	–	961
	107,383	59,038	–	–	–	166,421
NET CURRENT ASSETS/ (LIABILITIES)	113,808	(23,876)	(3,000)	–	–	86,932
TOTAL ASSETS LESS CURRENT LIABILITIES	1,089,996	6,981	22,620	(3,492)	–	1,116,105

	The Group as at 30 September 2007	Smart Class Group as at 31 December 2007	Pro forma adjustments relating to the Acquisition			Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited				Unaudited
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
	A	B	C	D	E	F=A+B+ C+D+E
NON-CURRENT LIABILITIES						
Deferred income	–	1,139	–	–	–	1,139
Deferred tax liabilities	83	–	–	580	–	663
Financial guarantee contract	63,000	–	–	–	–	63,000
	63,083	1,139	–	580	–	64,802
NET ASSETS/(LIABILITIES)	1,026,913	5,842	22,620	(4,072)	–	1,051,303
EQUITY						
Share capital	21,995	390	195	(390)	–	22,190
Reserves	954,935	3,923	22,425	(3,923)	–	977,360
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	976,930	4,313	22,620	(4,313)	–	999,550
MINORITY INTERESTS	49,983	1,529	–	241	–	51,753
TOTAL EQUITY	1,026,913	5,842	22,620	(4,072)	–	1,051,303

Notes:

1. Column A is extracted from the audited consolidated balance sheet of the Group as at 30 September 2007 as set out in Appendix I of this circular.

2. Column B is extracted from the Accountants' Report as set out in Appendix II to this circular, translated at the exchange rate of CAD1 to HK$7.8.

3. To record the consideration of CAD2,900,000 (equivalent to approximately HK$22,620,000) payable to the Vendor upon the Acquisition. In accordance with the terms of the Sale and Purchase Agreement, the consideration of the Acquisition will be settled by the allotment and issue of the 19,500,000 shares at an agreed issue price of HK$1.16 per share. The cost of the Acquisition in the aggregate of the fair value of the Consideration Shares issued by the Company and the estimated transaction costs (including legal and professional fees, printing charges and costs for convening extraordinary general meeting) of approximately HK$3,000,000 which are directly attributable to the Acquisition.

4. The adjustment reflects the allocation of the cost of the acquisition to the identifiable assets and liabilities of the Smart Class Group, which represents:

(i) Upon completion of the Acquisition, the identifiable assets and liabilities of the Smart Class Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under the purchase method of accounting. The identifiable assets and liabilities of the Smart Class Group are recorded in the unaudited pro forma consolidated balance sheet of the Enlarged Group at their fair values estimated by the Directors with reference to valuation report. The pro forma adjustment represents the fair value adjustment to the properties and intangible assets of HK$1,707,000 and HK$78,000 respectively and the corresponding deferred tax liabilities of HK$580,000. Other than the properties and intangible assets, other assets and liabilities of the Smart Class Group approximate their carrying amount.

(ii) Share capital of HK$390,000 and reserve of HK$1,786,000 of the Smart Class Group are eliminated in the consolidated financial statement of the Enlarged Group.

(iii) Reconciliation of goodwill

	HK$'000
Consideration for the Acquisition	22,620
Less: Fair value of net assets of the Smart Class Group acquired	(5,277)
	17,343
Add: Transaction cost directly related to the Acquisition	3,000
Goodwill	20,343

5. To record the reclassification of the amounts due to ultimate controlling parent of the Smart Class Group to amount due to related parties upon the completion of the Acquisition.

6. No adjustments have been made to reflect any trading results or other transactions of the Group and the Smart Class Group entered into subsequent to 30 September 2007 and 31 December 2007 respectively.

2. Unaudited pro forma consolidated income statement and cash flow statement of the Enlarged Group

The unaudited pro forma consolidated income statement and cash flow statement of the Enlarged Group have been prepared to illustrate the effect of the Acquisition.

The unaudited pro forma consolidated income statement and cash flow statement of the Enlarged Group have been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition assuming that they had been completed as of 1 October 2006.

The unaudited pro forma consolidated income statement and cash flow statement of the Enlarge Group are based on the audited consolidated income statement and cash flow statement of the Group for the year ended 30 September 2007 with adjustments to reflect the effect of the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

The unaudited pro forma consolidated income statement and cash flow statement are based on a number of assumptions. Accordingly, the accompanying unaudited pro forma consolidated income statement and cash flow statement of the Enlarged Group does not purport to describe the results and cash flow of the Enlarged Group that would have been attained had the Acquisition been completed at 1 October 2006. The unaudited pro forma consolidated income statement and cash flow statement of the Enlarged Group do not purport to predict the future result and cash flow of the Enlarged Group.

The unaudited pro forma consolidated income statement and cash flow statement have been prepared by the directors for illustrative purposes only and because of their nature, they may not give a true picture of the results and cash flow of the Enlarged Group had the Acquisition actually occurred at the beginning of the year ended 30 September 2007 or for any future period.

Unaudited pro forma consolidated income statement

	The Group for the year ended 30 September 2007	Smart Class Group for the year ended 31 December 2007	Pro forma adjustment relating to Acquisition	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited		Unaudited
	Note 1	*Note 2*	*Note 3*	
	A	B	C	D=A+B+C
Turnover	103,754	1,696,414	–	1,800,168
Cost of sales	(8,069)	(1,644,903)	–	(1,652,972)
Gross profit	95,685	51,511	–	147,196
Other revenue	30,693	9,578	–	40,271
Selling expenses	–	(2,870)	–	(2,870)
Administrative expenses	(92,309)	(53,695)	–	(146,004)
Other operating expenses	–	(1,771)	–	(1,771)
Profit from operations	34,069	2,753	–	36,822
Finance costs	(1,675)	(70)	(834)	(2,579)
Share of results of associates	(15,450)	–	–	(15,450)
Profit before taxation	16,944	2,683	(834)	18,793
Income tax	(672)	(920)	–	(1,592)
Profit for the year	16,272	1,763	(834)	17,201

Notes:

1. Column A is extracted from the audited income statement of the Group for the year ended 30 September 2007 as set out in Appendix I to this circular.

2. Column B is extracted from the Accountants' Report as set out in Appendix II to this circular, translated at the exchange rate of CAD1 to HK$7.8.

3. The adjustment represents the estimated accrued interest expenses for an amount of approximately CAD2,674,000 (equivalent to approximately HK$20,857,000) owed by Smart Class to the Vendor which loan is unsecured and charged with interest at the rate of 4% per annum.

4. No adjustment has been made to reflect any trading results or other transactions of the Group and the Smart Class Group entered into subsequent to 30 September 2007 and 31 December 2007 respectively.

Unaudited pro forma consolidated cash flow statement

	The Group for the year ended 30 September 2007	Smart Class Group for the year ended 31 December 2007	Pro forma adjustments relating to the Acquisition		Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited			Unaudited
	Note 1	*Note 2*	*Note 3*	*Note 4*	
	A	B	C	D	E=A+B+C+D
OPERATING ACTIVITIES					
Profit/(loss) before taxation	16,944	2,683	(834)	–	18,793
Adjustments for:					
Interest income	(10,197)	(296)	–	–	(10,493)
Finance costs	1,675	70	834	–	2,579
Depreciation	8,710	1,771	–	–	10,481
Share of result of associates	15,450	–	–	–	15,450
Dividend from available-for-sale investment	(1,133)	–	–	–	(1,133)
Gain on disposal of securities	(4,391)	–	–	–	(4,391)
Loss/(gain) on disposal of property, plant and equipment	175	(101)	–	–	74
Gain on disposal of available-for-sale investment	(10,330)	–	–	–	(10,330)
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL	16,903	4,127	–	–	21,030
Increase in inventories	(145)	–	–	–	(145)
Increase in trade and other receivables	(4,889)	(772)	–	–	(5,661)
Increase in trade and other payables	100,375	5,858	834	–	107,067
Decrease in amount due to minority shareholders	–	(31)	–	–	(31)
Increase in deferred income	–	(998)	–	–	(998)
Increase in security deposit	–	78	–	–	78
NET CASH GENERATED FROM OPERATION	112,244	8,262	834	–	121,340
TAX PAID					
Overseas income tax paid	–	(2,824)	–	–	(2,824)
NET CASH GENERATED FROM OPERATING ACTIVITIES	112,244	5,438	834	–	118,516

	The Group for the year ended 30 September 2007	Smart Class Group for the year ended 31 December 2007	Pro forma adjustments relating to the Acquisition		Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited			Unaudited
	Note 1	*Note 2*	*Note 3*	*Note 4*	
	A	B	C	D	E=A+B+C+D
INVESTING ACTIVITIES					
Payment for purchase of property, plant and equipment	(5,337)	(5,538)	–	–	(10,875)
Payment for subscription of convertible bonds	(11,875)	–	–	–	(11,875)
Net proceeds from disposal of securities from exercise of convertible bonds	16,266	–	–	–	16,266
Further acquisition of 12.25% interest in associates	(153,231)	–	–	–	(153,231)
Cash advanced to associates	(262,134)	–	–	–	(262,134)
Net proceeds from disposal of available-for-sale investment	35,569	–	–	–	35,569
Proceeds from disposal of property, plant and equipment	43	101	–	–	144
Increase in pledged bank deposits	(22)	–	–	–	(22)
Increase in unpledged bank deposits	–	(3,713)	–	–	(3,713)
Interest received	10,197	296	–	–	10,493
Dividend from available-for-sale investment	1,133	–	–	–	1,133
Payments of transaction costs directly attributable to the Acquisition	–	–	–	(3,000)	(3,000)
NET CASH (USED IN)/ GENERATED FROM INVESTING ACTIVITIES	(369,391)	(8,854)	–	(3,000)	(381,245)

	The Group for the year ended 30 September 2007	Smart Class Group for the year ended 31 December 2007	Pro forma adjustments relating to the Acquisition		Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Audited	Audited			Unaudited
	Note 1	*Note 2*	*Note 3*	*Note 4*	
	A	B	C	D	E=A+B+C+D
FINANCING ACTIVITIES					
Proceeds of loan from a financial institution	130,000	–	–	–	130,000
Repayment of loan from a financial institution	(130,000)	–	–	–	(130,000)
Finance costs	(1,675)	(8)	(834)	–	(2,517)
Repayments of loans from minority shareholders	(5,056)	–	–	–	(5,056)
Interest element of finance lease rentals paid	–	(62)	–	–	(62)
Capital element of finance lease rentals paid	–	(616)	–	–	(616)
Dividend paid to minority interests	(4,279)	–	–	–	(4,279)
NET CASH (USED IN)/ GENERATED FROM FINANCING ACTIVITIES	(11,010)	(686)	(834)	–	(12,530)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(268,157)	(4,102)	–	(3,000)	(275,259)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	468,876	10,046	–	–	478,922
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	–	163	–	–	163
CASH AND CASH EQUIVALENTS AT END OF YEAR	200,719	6,107	–	(3,000)	203,826
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Bank and cash balances	200,719	7,043	–	(3,000)	204,762
Bank overdraft	–	(936)	–	–	(936)
	200,719	6,107	–	(3,000)	203,826

Notes:

1. Column A is extracted from the audited consolidated cash flow statement of the Group for the year ended 30 September 2007 as set out in Appendix I to this circular.

2. Column B is extracted from the Accountants' Report as set out in Appendix II to this circular, translated at the exchange rate of CAD1 to HK$7.8.

3. The adjustment represents the estimated accrued interest expenses for an amount of approximately CAD2,674,000 (equivalent to approximately HK$20,857,000) owed by Smart Class to the Vendor which loan is unsecured and charged with interest at the rate of 4% per annum.

4. The adjustment represents the estimated payment for transaction cost (including legal and professional fees, printing charges and costs for convening extraordinary general meeting) of approximately HK$3,000,000 which are directly attributable to the Acquisition.

5. No adjustment has been made to reflect any trading results or other transactions of the Group and the Smart Class Group entered into subsequent to 30 September 2007 and 31 December 2007 respectively.

The following is the text of a report prepared for the purpose of incorporation in this circular received from CCIF CPA Limited, the independent reporting accountants.

(B) LETTER ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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

The Board of Directors
Macau Success Limited

28 May 2008

Dear Sirs,

We report on the unaudited pro forma financial information of Macau Success Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out in Section A of Appendix IV to the circular of the Company to its shareholders dated 28 May 2008 (the "Circular") in connection with the acquisition of entire issued share capital of Smart Class Enterprises Limited ("Smart Class") and its subsidiaries (referred to as the "Smart Class Group") by the Company (the "Acquisition"). The unaudited pro forma financial information of the Group together with the Smart Class Group (the "Enlarged Group") has been prepared by the directors of the Company (the "Directors"), for illustrative purpose only, to provide information on how the Acquisition might have affected the relevant financial information of the Group. The basis of preparation of the unaudited pro forma financial information is set out on pages 163 to 172 of the Circular.

Respective Responsibilities of Directors and Reporting Accountants

It is the sole responsibility of the Directors to prepare the unaudited pro forma financial information 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 financial information 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 financial information of the Enlarged Group beyond that owed to those to whom the reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 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 financial information with the Directors. This engagement did not involve independent examination of any of the underlying financial information of the Enlarged Group.

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 unaudited pro forma financial information of the Enlarged Group has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

The unaudited pro forma financial information of the Enlarged Group is for illustrative purpose only, based on the judgements and assumptions of the Directors, 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 Group as at 30 September 2007 or any future date: and

– the results and cash flows of the Group for the year ended 30 September 2007 or any future period.

Opinion

In our opinion:

a. the unaudited pro forma financial information of the Enlarged Group has been properly compiled by the Directors 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 financial information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Delores Teh
Practising Certificate Number P03207

The following is the text of a letter prepared for the purpose of incorporation in this circular received from Norton Appraisals Limited, an independent valuer, in connection with its valuation as at 30 April 2008 of the market values of the properties held by the Enlarged Group.

Norton Appraisals
Registered Professional Surveyors, Valuers & Property Advisers

Room 3830-32, Sun Hung Kai Centre
30 Harbour Road
Wanchai Hong Kong
Tel: (852) 2810 7337 Fax: (852) 2810 6337

28 May 2008

The Directors
Macau Success Limited
Suite 1601-2 & 8-10
16th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests (as specified in the Summary of Values as attached) held by Macau Success Limited (hereinafter referred to as the "Company") and its subsidiaries (hereinafter together referred to as the "Group"); Smart Class Enterprises Limited (hereinafter referred to as "Smart Class") and its subsidiaries (hereinafter together referred to as the "Smart Class Group") (hereinafter collectively referred to as the "Enlarged Group") in the Hong Kong Special Administrative Region of the People's Republic of China (hereinafter referred to as "Hong Kong"), Canada and the United States of America (hereinafter referred to as "the USA"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of such property interests as at 30 April 2008 (hereinafter referred to as the "Date of Valuation") for public documentation purpose.

BASIS OF VALUATION

Our valuation of each of the property interests is our opinion of its market value which is defined as intended to mean "an 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."

VALUATION METHODOLOGY

In valuing the property interest under Group I which is held for owner-occupied by the Enlarged Group in Canada, we have adopted the Direct Comparison Approach by making reference to comparable transactions as available in the relevant market.

In valuing the property interest in Group II which is contracted to be acquired by the Enlarged Group in Canada, we are of the opinion that it has no commercial value due to insufficient title has been obtained to the property interest as at the Date of Valuation. Nevertheless, we have adopted the Direct Comparison Approach to provide the market value of the property interest for indication purpose assuming that proper legal title documents of the property interest have been obtained by the Enlarged group and accordingly the Enlarged Group is entitled to freely transfer, lease or mortgage of the property interest.

In valuing the property interests in Groups III, IV and V which are rented by the Enlarged Group in Hong Kong, Canada and the USA respectively under tenancy/licence agreements or leases, we are of the opinion that they have no commercial value mainly due to the short term nature of the property interests, the prohibition against assignment or sub-letting in the agreements or leases as advised by the Enlarged Group or otherwise, due to the lack of substantial profit rent.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the Enlarged Group sells the properties on the open market in their existing states without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the values of the property interests. In addition, no account has been taken of any option or right of pre-emption concerning or affecting sales of the properties and no forced sale situation in any manner is assumed in our valuations.

TITLE INVESTIGATION

Regarding the property interest under Group I which is held for owner-occupied by the Enlarged Group in Canada. We have caused land title searches to be made at Land Registry Office of the Province of Quebec, District of Montreal. However, we have not searched the original documents to verify ownership or to ascertain any amendments which do not appear on the copies handed to us.

LIMITING CONDITIONS

We have been provided with copies of relevant tenancy/licence agreements and leases. We have not, however, inspected the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies provided to us.

All dimensions, measurements and areas included in the attached valuation certificates are based on information contained in the documents provided to us by the Enlarged Group and are therefore only approximations.

We have inspected the exteriors and, where possible, the interiors of each of the properties. However, we have not carried out investigations on site to determine the suitability of the ground conditions and the services and so forth for any future development.

Moreover, no structural survey has been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects, nor were any tests carried out to any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the floor areas of the properties and we have assumed that the floor areas shown on the documents handed to us are correct.

We have relied to a considerable extent on the information provided by the Enlarged Group and have accepted advice on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, tenancy summaries and floor areas and all other relevant matters in the identification of the properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Enlarged Group. We are also advised by the Enlarged Group that no material facts have been omitted from the information provided.

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

Our valuations have been prepared in accordance with the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors and all the requirements contained in the Chapter 5 and Practice Note 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all sums stated in our valuation certificates are in Hong Kong Dollars. The exchange rate adopted in our valuation is Canadian Dollar (CAD)1 = HK$7.73 which was the approximate exchange rate prevailing as at the Date of Valuation.

Our Summary of Values and the Valuation Certificates are enclosed herewith.

Yours faithfully,
For and on behalf of
Norton Appraisals Limited
Nick C. L. Kung
MRICS, MHKIS, RPS (G.P.)
Director

Note: Mr. Nick C. L. Kung is a Registered Professional Surveyor who has more than 17 years' experience in valuation of properties in Hong Kong and the overseas countries.

SUMMARY OF VALUES

	Property	Capital value in its existing state as at 30 April 2008	Interest attributable to the Enlarged Group in percentage	Capital value attributable to the Enlarged Group as at 30 April 2008
		HK$		*HK$*
Group I – Property interest held for owner-occupied by the Enlarged Group in Canada				
1.	Suite 112-115, 1111 Saint-Urbain Street, Montreal, Quebec, Canada	3,903,650	80%	3,122,920
	Sub-total:	**3,903,650**		**3,122,920**
Group II – Property interest contracted to be acquired by the Enlarged Group in Canada				
2.	8 proposed commercial units on Ground and 4th Levels and 6 proposed car parking spaces on Basement of a proposed commercial building located at Block 3, Plan 65M-3997, Northeast corner of Elgin Mills Road East and John Birchall Road, Richmond Hill, Ontario, Canada			No Commercial Value
			Sub-total:	**Nil**

	Property	Capital value attributable to the Enlarged Group as at 30 April 2008 *HK$*

Group III – Property interests rented by the Enlarged Group in Hong Kong

3.	Suite 1601-2 and 1608-10 on 16th Floor and one private car parking space on Second Basement, Great Eagle Centre, No. 23 Harbour Road, Wanchai, Hong Kong	No Commercial Value
4.	Office No.2 on 28th Floor, Singga Commercial Centre, Nos. 144-151 Connaught Road West, Sai Ying Pun, Hong Kong	No Commercial Value
5.	Units 411-413 on 4th Floor of Tower A, New Mandarin Plaza (formerly known as "Mandarin Plaza"), No. 14 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong	No Commercial Value
	Sub-total:	**Nil**

	Property	Capital value attributable to the Enlarged Group as at 30 April 2008 *HK$*
Group IV – Property interests rented by the Enlarged Group in Canada		
6.	Suite 110, 120 and Corridor Space, 3190 Steeles Avenue East, Markham, Ontario, Canada	No Commercial Value
7.	The whole of Ground Floor, 74 Huron Street, Toronto, Ontario, Canada	No Commercial Value
8.	Unit No. 6 Front, 3280, 3290 and 3300 Midland Avenue, Scarborough, Ontario, Canada	No Commercial Value
9.	Unit 105, 328-330 Highway 7 East, Richmond Hill, Ontario, Canada	No Commercial Value
10.	Storage Space Nos. G018, G021 and G022, 4120 Finch Avenue East, Scarborough, Ontario, Canada	No Commercial Value
11.	The whole of Ground Floor, 1107 Clark Street, Montreal, Quebec, Canada	No Commercial Value
12.	Suite 2090, 4580 No. 3 Road, Empire Centre, Richmond, British Columbia, Canada	No Commercial Value
13.	Suite 202, 139 Keefer Street, Vancouver, British Columbia, Canada	No Commercial Value

	Property		Capital value attributable to the Enlarged Group as at 30 April 2008 *HK$*
14.	Suite 237 and 3 car parking spaces on Ground and Basement Levels, Stockman Centre, 2116-27th Avenue, Calgary, Alberta, Canada		No Commercial Value
15.	Units 23 & 34, 155 East Beaver Creek, Richmond Hill, Ontario, Canada		No Commercial Value
16.	Unit 211, 668 Silver Star Blvd, Scarborough, Ontario, Canada		No Commercial Value
17.	Unit 112, 3601 Highway 7, Markham, Ontario, Canada		No Commercial Value
		Sub-total:	**Nil**

Group V – Property interest rented by the Enlarged Group in the USA

18.	Suite 609, Nos. 7-8 Chatham Square, New York, the USA		No Commercial Value
		Sub-total:	**Nil**
	GRAND TOTAL:	**3,903,650**	**3,122,920**

VALUATION CERTIFICATE

Group I – Property interest held for owner-occupied by the Enlarged Group in Canada

	Property	Description and tenure	Particulars of occupancy	Capital value attributable to the Enlarged Group as at 30 April 2008 *HK$*
1.	Suite 112-115, 1111 Saint-Urbain Street, Montreal, Quebec, Canada	The property comprises 4 office units on 1st Floor having a total gross floor area of approximately 3,607 sq.ft. of a 10-storey commercial building (including a basement level) completed in about 1985. The property is currently held under freehold interests.	The property is occupied by the Smart Class Group for office purpose.	3,903,650 (80% interest attributable to the Enlarged Group: 3,122,920)

Notes:

According to the recent title search from Land Registry Office of the Province of Quebec, District of Montreal, the registered owner of the property interest is AGENCE DE VOYAGE JADE LTÉE ("Jade Travel Ltd."), a subsidiary of Smart Class, with Title Nos. 1284635, 1284636, 1284637 and 1284638.

Group II – Property interest contracted to be acquired by the Enlarged Group in Canada

	Property	Description and tenure	Particulars of occupancy	Capital value attributable to the Enlarged Group as at 30 April 2008
2.	8 proposed commercial units on Ground and 4th Levels and 6 proposed car parking spaces on Basement of a proposed commercial building located at Block 3, Plan 65M-3997, Northeast corner of Elgin Mills Road East and John Birchall Road, Richmond Hill, Ontario, Canada	The property comprises 8 proposed commercial units on Ground and 4th Levels having a total gross floor area of approximately 7,371.06 sq.ft. together with 6 proposed car parking spaces on Basement Level of a proposed 5-storey commercial building (including one Basement Level) having a total gross floor area of approximately 53,000 sq.ft. (excluding of Basement Level) and scheduled to be completed in 2009. The property is currently held under freehold interests.	The property is currently under construction.	No Commercial Value *(see Note (ii))*

Notes:

i) According to Condominium Agreement of Purchase and Sale dated 28 February 2008 entered into between Elgin Mills Medical Centre Inc. (the "Vendor") and Jade Travel Ltd. (the "Purchaser"), a subsidiary of Smart Class, the Vendor agreed to sell the property to the Purchaser for a total consideration of CAD2,363,738.40.

ii) As the property is currently under construction and thus the proper legal title documents has not been obtained by the Enlarged Group as at the date of our valuation, there is insufficient title proof to the property interest, we have, therefore, assigned no commercial value to the property interest. Nevertheless, for indication purpose, the market value of the property interest when completed is HK$18,281,450 subject to the Enlarged Group has obtained the proper legal title to the property interest.

Group III – Property interests rented by the Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value attributable to the Enlarged Group as at 30 April 2008
3.	Suite 1601-2 and 1608-10 on 16th Floor and one private car parking space on Second Basement, Great Eagle Centre, No. 23 Harbour Road, Wanchai, Hong Kong	The property comprises an office unit on 16th Floor having a total gross floor area of approximately 6,548 sq.ft. and a car parking space on Second Basement, of a 33-storey office building. The property (excluding the car parking space on Second Basement) is rented for a term commencing from 2 January 2007 to 1 January 2009.	The property is occupied by the Group for office purpose.	No Commercial Value

Notes:

i) According to the tenancy agreement dated 12 January 2007 entered into between Harbour View 16 Limited (the "Landlord") and Macau Success (Hong Kong) Limited (the "Tenant"), a wholly-owned subsidiary of the Company, the Landlord agreed to let the property (excluding the car parking space on Second Basement) to the Tenant at a monthly rental of HK$248,830 from 2 January 2007 to 1 January 2009.

ii) According to the License Agreement dated 20 March 2007 entered into between Moon Yik Company, Limited (the "Licensor") and Macau Success (Hong Kong) Limited (the "Licensee"), a wholly-owned subsidiary of the Company, the Licensor agreed to let the car parking space on Second Basement to the Licensee on monthly license basis.

iii) As advised by the Enlarged Group, the registered owner of the property and/or the Landlord are both independent third parties to the Enlarged Group.

4.	Office No. 2 on 28th Floor, Singga Commercial Centre, Nos. 144-151 Connaught Road West, Sai Ying Pun, Hong Kong	The property comprises an office unit having a gross floor area of approximately 707 sq.ft. of a 41-storey office building. The property is rented for a term commencing from 25 April 2007 to 24 April 2009.	The property is occupied by the Group for office purpose.	No Commercial Value

Notes:

i) According to the tenancy agreement dated 3 May 2007 entered into between Sheen Ocean Investment Limited (the "Landlord") and Travel Success Limited (the "Tenant"), a wholly-owned subsidiary of the Company, the Landlord agreed to let the property to the Tenant at a monthly rental of HK$5,800 from 25 April 2007 to 24 April 2009.

ii) As advised by the Enlarged Group, the registered owner of the property and/or the Landlord are both independent third parties to the Enlarged Group.

	Property	Description and tenure	Particulars of occupancy	Capital value attributable to the Enlarged Group as at 30 April 2008
5.	Unit 411-413 on 4th Floor of Tower A, New Mandarin Plaza (formerly know as "Mandarin Plaza"), No. 14 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong	The property comprises 3 office units having a gross floor area of approximately 3,000 sq.ft. of a 13-storey office building. The property is rented for a term commencing from 16 November 2006 to 15 November 2009.	The property is occupied by the Group for office purpose.	No Commercial Value

Notes:

i) According to the tenancy agreement dated 1 September 2006 entered into between Asia-HK Investment Limited (the "Landlord") and Hover Management Limited (the "Tenant"), a subsidiary of the Company, the Landlord agreed to let the property to the Tenant at a monthly rental of HK$58,482 from 16 November 2006 to 15 November 2009.

ii) As advised by the Enlarged Group, the registered owner of the property and/or the Landlord are both independent third parties to the Enlarged Group.

Group IV – Property interests rented by the Smart Class Group in Canada

	Property	Description and tenure	Particulars of occupancy	Capital value attributable to the Enlarged Group as at 30 April 2008
6.	Suite 110, 120 and Corridor Space, 3190 Steeles Avenue East, Markham, Ontario, Canada	The property comprises 2 office units and corridor space on Ground Floor having a total rentable area of approximately 8,000 sq.ft. of a 3-storey office building. The property is rented for a term commencing from 1 October 2003 to 31 December 2008 and renewable for a further term of 3 years from 1 January 2009 to 31 December 2011.	The property is occupied by the Smart Class Group for office purpose.	No Commercial Value

Notes:

i) According to the Lease Renewal Agreement, Lease Amending Agreement and Lease Extension and Amending Agreement dated 1 May 2003, 2 May 2003 and 10 April 2008 respectively entered into between Oakfcroft Enterprises Inc. (the "Landlord") and Jade Travel Ltd. (the "Tenant"), a subsidiary of Smart Class, the Landlord agreed to let the property to the Tenant and the monthly rental details are summarised as follows:

Lease Term	Monthly rental
1 January 2004 to 31 December 2008	CAD6,666.66
1 January 2009 to 31 December 2009	CAD8,666.66
1 January 2010 to 31 December 2010	CAD8,833.33
1 January 2011 to 31 December 2011	CAD9,000.00

ii) As advised by the Enlarged Group, the registered owner of the property and/or the Landlord are both independent third parties to the Enlarged Group.

7.	The whole of Ground Floor, 74 Huron Street, Toronto, Ontario, Canada	The property comprises the whole of Ground Floor having a rentable area of 400 sq.ft. of a 3-storey commercial building. The property is rented for a term commencing from 1 September 2006 to 31 August 2009 and renewable for a further term of 3 years at a negotiated rental rate.	The property is occupied by the Smart Class Group for retail purpose.	No Commercial Value

Notes:

i) According to the Commercial Lease dated 7 July 2006 entered into between Quan Property Inc. (the "Lessor") and Jade Travel Ltd. (the "Lessee"), a subsidiary of Smart Class, the Lessor agreed to let the property to the Lessee at a monthly rental of CAD1,539.12 from 1 September 2006 to 31 August 2009.

ii) As advised by the Enlarged Group, the registered owner of the property and/or the Lessor are both independent third parties to the Enlarged Group.

	Property	Description and tenure	Particulars of occupancy	Capital value attributable to the Enlarged Group as at 30 April 2008
8.	Unit No. 6 Front, 3280, 3290 and 3300 Midland Avenue, Scarborough, Ontario, Canada	The property comprises a shop unit on Ground Floor having a rentable area of approximately 500 sq.ft. of a single storey shopping center. The property is rented for a term commencing from 1 May 2006 to 30 April 2009.	The property is occupied by the Smart Class Group for retail purpose.	No Commercial Value

Notes:

i) According to the Lease dated 1 March 2006 entered into between Fred T. Reisman and Associates Limited (the "Lessor") and Jade Travel Ltd. (the "Lessee"), a subsidiary of Smart Class, the Lessor agreed to let the property to the Lessee and the monthly rental details are summarised as follows:

Lease Term	Monthly rental
1 May 2006 to 30 April 2007	CAD937.50
1 May 2007 to 30 April 2008	CAD979.17
1 May 2008 to 30 April 2009	CAD1,020.83

ii) As advised by the Enlarged Group, the registered owner of the property and/or the Lessor are both independent third parties to the Enlarged Group.

	Property	Description and tenure	Particulars of occupancy	Capital value attributable to the Enlarged Group as at 30 April 2008
9.	Unit 105, 328-330 Highway 7 East, Richmond Hill, Ontario, Canada	The property comprises a shop unit on Ground Floor having a rentable area of approximately 1,062 sq.ft. of a 4-storey commercial building. The property is rented for a term commencing from 1 January 2006 to 31 December 2008.	With the exception of portion of the property having a rentable area of 365 sq.ft. was sub-let to an independent third party to the Enlarged Group, the property is occupied by the Smart Class Group for retail purpose.	No Commercial Value

Notes:

i) According to the Lease dated 28 October 2005 entered into between Sui Sang Hwang & Yee Fong Chan (the "Landlord") and Jade Travel Ltd. (the "Tenant"), a subsidiary of Smart Class, the Landlord agreed to let the property to the Tenant and the monthly rental details are summarised as follows:

Lease Term	Monthly rental
1 January 2006 to 31 December 2006	CAD1,947.00
1 January 2007 to 31 December 2007	CAD2,124.00
1 January 2008 to 31 December 2008	CAD2,212.50

ii) According to Agreement to Sub-Lease dated 18 October 2005 entered into between Jade Travel Ltd. (the "Sub-Landlord") and Ten Ten's Dumpling Food Corp. (the "Sub-Tenant"), the Sub-Landlord agreed to sub-let portion of the property with a rentable area of 365 sq.ft. to the Sub-Tenant at respective monthly rentals of CAD699.60 from 1 January 2006 to 31 December 2006, CAD730.00 from 1 January 2007 to 31 December 2007 and CAD760.40 from 1 January 2008 to 31 December 2008.

iii) As advised by the Enlarged Group, the registered owner of the property and/or the Landlord and the Sub-Tenant are all independent third parties to the Enlarged Group.

	Property	Description and tenure	Particulars of occupancy	Capital value attributable to the Enlarged Group as at 30 April 2008
10.	Storage Space Nos. G018, G021 and G022, 4120 Finch Avenue East, Scarborough, Ontario, Canada	The property comprises 3 storage spaces having a total rentable area of approximately 600 sq.ft. of a single storey warehouse. The property is rented under 3 monthly licenses.	The property is occupied by the Smart Class Group for storage purpose.	No Commercial Value

Notes:

i) According to the 3 Leases entered into among Public Storage Canadian Properties (the "Landlord"), Chuen Hing Ling (Re: Storage Space No. G018) and Jade Travel Ltd. (Re: Storage Space Nos. G021 and G022) (the "Tenant"), a subsidiary of Smart Class, the Landlord agreed to let the property to the Tenant at a total monthly license fees of CAD674.74.

ii) As advised by the Enlarged Group, the registered owner of the property and/or the Landlord are both independent third parties to the Enlarged Group.

11.	The whole of Ground Floor, 1107 Clark Street, Montreal, Quebec, Canada	The property comprises the whole of Ground Floor having a rentable area of 580 sq.ft. of a 3-storey commercial building. The property is rented for a term commencing from 1 December 2007 to 30 November 2012.	The property is occupied by the Smart Class Group for retail purpose.	No Commercial Value

Notes:

i) According to Letter dated 28 January 2008 entered into between C.L. Family Association Inc. (the "Landlord") and Jade Travel Ltd. (the "Tenant"), a subsidiary of Smart Class, the Landlord agreed to let the property to the Tenant and the monthly rental details are listed as follows.

Lease Term	Monthly rental
1 December 2007 to 30 November 2008	CAD2,219.40
1 December 2008 to 30 November 2009	CAD2,280.43
1 December 2009 to 30 November 2010	CAD2,343.15
1 December 2010 to 30 November 2011	CAD2,407.58
1 December 2011 to 30 November 2012	CAD2,473.79

ii) As advised by the Enlarged Group, the registered owner of the property and/or the Landlord are both independent third parties to the Enlarged Group.

	Property	Description and tenure	Particulars of occupancy	Capital value attributable to the Enlarged Group as at 30 April 2008
12.	Suite 2090, 4580 No. 3 Road, Empire Centre, Richmond, British Columbia, Canada	The property comprises a shop unit having a rentable area of approximately 628 sq.ft. of a single storey shopping center. The property is rented for a term commencing from 1 May 2007 to 30 April 2010.	The property is occupied by the Smart Class Group for retail purpose.	No Commercial Value

Notes:

i) According to Commercial Lease dated 12 February 2006 entered into between Chen, Der A & Yang, Hui C (the "Landlord") and Jade Travel Ltd. (the "Tenant"), a subsidiary of Smart Class, the Landlord agreed to let the property to the Tenant at a monthly rental of CAD2,093.33 from 1 May 2007 to 30 April 2010.

ii) As advised by the Enlarged Group, the registered owner of the property and/or the Landlord are both independent third parties to the Enlarged Group.

13.	Suite 202, 139 Keefer Street, Vancouver, British Columbia, Canada	The property comprises a shop unit on Ground Floor and an office unit on 1st Floor having a total rentable area of approximately 4,260 sq.ft. of a 2-storey commercial building. The property is rented for a term commencing from 1 January 2005 to 31 December 2009.	The property is occupied by the Smart Class Group for retail purpose.	No Commercial Value

Notes:

i) According to Indenture of Lease dated 25 October 2004 entered into between Chow's Land Inc. and Chow & Sons Land Inc. (the "Landlord") and Jade Travel Ltd. (the "Tenant"), a subsidiary of Smart Class, the Landlord agreed to let the property to the Tenant at respective monthly rentals of CAD4,088 from 1 January 2005 to 30 June 2007 and CAD4,288 from 1 July 2007 to 31 December 2009.

ii) As advised by the Enlarged Group, the registered owner of the property and/or the Landlord are both independent third parties to the Enlarged Group.

	Property	Description and tenure	Particulars of occupancy	Capital value attributable to the Enlarged Group as at 30 April 2008
14.	Suite 237 and 3 car parking spaces on Ground and Basement Levels, Stockman Centre, 2116-27th Avenue, Calgary, Alberta, Canada	The property comprises an office unit on 2nd Floor having a rentable area of approximately 988 sq.ft. and 3 car parking spaces on Ground and Basement Levels of a 4-storey office building (including a basement level). The property is rented for a term commencing from 1 April 2006 to 31 March 2011.	The property is occupied by the Smart Class Group for office purpose.	No Commercial Value

Notes:

i) According to Lease on November 2005 entered into between TRL Real Estate Syndicate (01) Ltd. (the "Landlord") and Jade Travel Ltd. (the "Tenant"), a subsidiary of Smart Class, the Landlord agreed to let the property to the Tenant at a total monthly rental of CAD905.67 from 1 April 2006 to 31 March 2011 together with a total monthly license fees of CAD110 in respect of the 3 carparking spaces.

ii) As advised by the Enlarged Group, the registered owner of the property and/or the Landlord are both independent third parties to the Enlarged Group.

15.	Units 23 & 34, 155 East Beaver Creek, Richmond Hill, Ontario, Canada	The property comprises 2 shop units on Ground Floor having a total rentable area of approximately 2,000 sq.ft. of a single-storey shopping center. The property is rented for a term commencing from 1 February 2006 to 31 January 2009.	The property is occupied by the Smart Class Group for retail purpose.	No Commercial Value

Notes:

i) According to Agreement to Lease dated 25 January 2006 entered into between Nubar Tascioglu (the "Landlord") and Holiday Booking Center (the "Tenant"), being the then business name of 2078228 Ontario Corp. which is a subsidiary of Smart Class, the Landlord agreed to let the property to the Tenant at respective monthly rentals of CAD1,666.66 from 1 February 2006 to 31 January 2007, CAD1,708.33 from 1 February 2007 to 31 January 2008 and CAD1,750.00 from 1 February 2008 to 31 January 2009.

ii) As advised by the Enlarged Group, the registered owner of the property and/or the Landlord are both independent third parties to the Enlarged Group.

	Property	Description and tenure	Particulars of occupancy	Capital value attributable to the Enlarged Group as at 30 April 2008
16.	Unit 211, 668 Silver Star Blvd, Scarborough, Ontario, Canada	The property comprises a shop unit on Ground Floor having a gross floor area of approximately 701 sq.ft. of a single storey shopping center. The property is rented for a term commencing from 1 July 2006 to 30 June 2008.	The property is occupied by the Smart Class Group for retail purpose.	No Commercial Value

Notes:

i) According to Lease Contract dated 7 June 2006 entered into between 1258595 Ontario Inc. (the "Lessor") and Holiday Booking Center (the "Lessee"), being the then business name of 2078228 Ontario Corp. which is a subsidiary of Smart Class, the Lessor agreed to let the property to the Tenant at a monthly rental of CAD1,600 from 1 July 2006 to 30 June 2008.

ii) As advised by the Enlarged Group, the registered owner of the property and/or the Lessor are both independent third parties to the Enlarged Group.

17.	Unit 112, 3601 Highway 7, Markham, Ontario, Canada	The property comprises a shop unit on Ground Floor having a rentable area of approximately 437 sq.ft. of a 10-storey commercial building. The property is rented for a term commencing from 1 August 2007 to 31 July 2012.	The property is occupied by the Smart Class Group for retail purpose.	No Commercial Value

Notes:

i) According to the Agreement to Lease (Commercial) entered into between Eric Siu and Maria Siu (the "Landlord") and Holiday Booking Center (the "Tenant"), being the then business name of 2078228 Ontario Corp. which is a subsidiary of Smart Class, the Landlord agreed to let the property to the Tenant at respective monthly rentals of CAD1,201.75, CAD1,238.17 and CAD1,274.58 from 1 August 2007 to 31 July 2009, 1 August 2009 to 31 July 2011 and 1 August 2011 to 31 July 2012.

ii) As advised by the Enlarged Group, the registered owner of the property and/or the Landlord are both independent third parties to the Enlarged Group.

Group V – Property interest rented by the Enlarged Group in the USA

	Property	Description and tenure	Particulars of occupancy	Capital value attributable to the Enlarged Group as at 30 April 2008
18.	Suite 609, Nos. 7-8 Chatham Square, New York, the USA	The property comprises a shop unit on Ground Floor having a gross floor area of approximately 1,350 sq.ft. of a 8-storey commercial building. The property is rented for a term commencing from 1 April 2008 to 31 March 2013.	The property is occupied by the Smart Class Group for retail purpose.	No Commercial Value

Notes:

i) According to the Lease Extension Agreement dated 18 March 2008 entered into between S.E. and K Realty Corp. (the "Landlord") and Jade Travel Ltd. (the "Tenant"), a subsidiary of Smart Class, the Landlord agreed to let the property to the Tenant and the monthly rental details are listed as follows:

Lease Term	Monthly rental
1 April 2008 to 31 March 2009	US$4,794.08
1 April 2009 to 31 March 2010	US$4,937.90
1 April 2010 to 31 March 2011	US$5,086.04
1 April 2011 to 31 March 2012	US$5,238.62
1 April 2012 to 31 March 2013	US$5,395.78

ii) As advised by the Enlarged Group, the registered owner of the property and/or the Landlord are both independent third parties to the Enlarged Group.

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 and/or the Enlarged Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after Completion are set out as follows:

As at the Latest Practicable Date

Authorised:		*HK$*
160,000,000,000	Shares	1,600,000,000
Issued and fully paid:		
2,419,464,233	Shares	24,194,642

Upon Completion

Authorised:		*HK$*
160,000,000,000	Shares	1,600,000,000
Issued and fully paid:		
2,419,464,233	Shares	24,194,642
19,500,000	Consideration Shares	195,000
2,438,964,233	Shares	24,389,642

All the existing Shares in issue rank pari passu in all respects with each other including as regards to rights to dividends, voting and return of capital. The holders of the Consideration Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Consideration Shares. The Consideration Shares to be issued will, when issued and fully paid, rank pari passu in all respects with the existing Shares.

The Company did not have any outstanding options, warrants, derivatives or securities convertible into Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Interests and short positions of Directors in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and 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 and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Interest in the Shares

Name of Director	Long position/ Short position	Nature of interest	Total number of issued Shares interested or deemed to be interested	Total number of unissued Shares interested or deemed to be interested	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date
					%
Mr. Yeung	Long position	Corporate interest	987,841,432 *(Note 1)*	19,500,000 *(Note 2)*	41.6

Notes:

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

2. Mr. Yeung, a director and the sole beneficial owner of the Vendor, is deemed to have corporate interest in 19,500,000 unissued Shares representing the Consideration Shares to be issued to the Vendor or its nominee upon Completion.

Mr. Yeung is a director of Silver Rich Macau Development Limited, which has an interest in the Shares that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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 any interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Other interests of the Directors

As at the Latest Practicable Date, none of the Directors had any interest in any assets which have been, since 30 September 2007, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any of the Directors is materially interested and which is significant in relation to the business of the Enlarged Group.

(c) Interests and short positions in the Shares and underlying Shares discloseable under the provisions of Divisions 2 and 3 of Part XV of the SFO and interests of substantial shareholders in other members of the Enlarged Group

As at the Latest Practicable Date, so far as is 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 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 Enlarged Group or had any option in respect of such capital:

Interest in the Shares

Name of substantial Shareholders	Long position/ Short position	Capacity	Number of issued Shares held	Number of unissued Shares held	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date %
Silver Rich Macau Development Limited	Long position	Beneficial owner	987,841,432	–	40.8
Trustcorp Limited *(Note 1)*	Long position	Trustee	987,841,432	–	40.8
Newcorp Ltd. *(Note 1)*	Long position	Interest of controlled corporation	987,841,432	–	40.8
Newcorp Holdings Ltd. *(Note 1)*	Long position	Interest of controlled corporation	987,841,432	–	40.8
Mr. David Henry Christopher Hill *(Note 1)*	Long position	Interest of controlled corporation	987,841,432	–	40.8
Mr. David William Roberts *(Note 1)*	Long position	Interest of controlled corporation	987,841,432	–	40.8
Mrs. Rebecca Ann Hill *(Note 2)*	Long position	Interest of spouse	987,841,432	–	40.8
Ms. Liu Siu Lam, Marian *(Note 3)*	Long position	Interest of spouse	987,841,432	19,500,000	41.6
Maruhan	Long position	Beneficial owner	440,000,000	–	18.2

Notes:

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

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

3. Ms. Liu Siu Lam, Marian, being the spouse of Mr. Yeung, was deemed to be interested in 987,841,432 issued Shares and 19,500,000 unissued Shares in which Mr. Yeung had a deemed interest.

Long positions in other members of the Enlarged Group

Name of subsidiaries of the Company	Name of substantial shareholders	Number of shares held	Approximate percentage of the issued share capital of the subsidiaries of the Company as at the Latest Practicable Date
			%
Capture Success Limited	Summit Global International Limited	30	30
Capture Success Limited	Mantovana Holdings Limited	15	15
World Fortune Limited	Maruhan	102	10.2

Name of subsidiary of Smart Class	Name of substantial shareholder	Number of shares held	Approximate percentage of the issued share capital carrying rights to vote at general meetings of the subsidiary of Smart Class as at the Latest Practicable Date
			%
665127 British Columbia Ltd.	SABC Holdings Ltd.	1,400	14

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, 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 Enlarged Group or held any option in respect of such capital.

4. LITIGATION

As at the Latest Practicable Date, none of the member of the Enlarged Group 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 any member of the Enlarged Group.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective associates were interested in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business, other than such business where the Directors were appointed as directors to represent the interests of the Group.

6. SERVICE CONTRACT

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

7. EXPERTS AND CONSENT

The following are the qualifications of the experts whose advice or reports are contained in this circular:

Name	**Qualification**
Access Capital	A licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
CCIF CPA Limited	Certified Public Accountants
Norton Appraisals Limited	Professional property valuers

Each of Access Capital, CCIF CPA Limited and Norton Appraisals Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice or report and the reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of Access Capital, CCIF CPA Limited and Norton Appraisals Limited did not have any shareholding in any member of the Group and did not 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.

As at the Latest Practicable Date, each of Access Capital, CCIF CPA Limited and Norton Appraisals Limited did not have any direct or indirect interest in the S&P Agreement and any assets which have been, since 30 September 2007 (the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts of significance (not being contracts entered into in the ordinary course of business) have been entered into by members of the Enlarged Group within the two years preceding the issue of this circular and are or may be material:

(1) a sale and purchase agreement dated 13 June 2006 (the "Sale and Purchase Agreement") entered into between Top Region Assets Limited ("Top Region"), an indirect wholly-owned subsidiary of the Company, 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 Investments Limited, representing approximately 8.13% of its then entire issued share capital, at the consideration of approximately HK$36.11 million;

(2) a deed of variation dated 31 October 2006 (the "Deed of Variation") 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;

(3) a sale and purchase agreement dated 30 November 2006 entered into between Joy Idea Investments Limited ("Joy Idea") as vendor and World Fortune Limited ("World Fortune"), the then indirect wholly-owned subsidiary of the Company, as purchaser in respect of the sale and purchase of 12,250 shares in Pier 16 – Property Development Limited ("Pier 16 – Property Development"), representing 12.25% of its entire issued share capital, and a loan of approximately HK$29 million owing from Pier 16 – Property Development to Joy Idea for an aggregate consideration of HK$200 million;

(4) a 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 zero coupon unsecured convertible bonds issued by China Star with a principal amount of HK$12.5 million, at the subscription price of approximately HK$11.9 million;

(5) a second deed of variation dated 28 February 2007 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 as supplemented by the Deed of Variation;

(6) a guarantee dated 28 June 2007 provided by the Company as guarantor in favour of Banco Weng Hang, S.A. ("Banco Weng Hang") as security agent to secure the syndicated loan facility of HK$1,600 million granted by a syndicate of lenders to Pier 16 – Property Development;

(7) a funding undertaking dated 28 June 2007 provided by Pier 16 – Property Development as borrower, Sociedade de Jogos de Macau S.A. ("SJM") and the Company as guarantors in favour of Banco Weng Hang as security agent for the purpose of meeting the project costs of Ponte 16;

(8) a completion undertaking dated 28 June 2007 provided by SJM and the Company as guarantors in favour of Banco Weng Hang as security agent for the purpose of ensuring completion of the construction of the development of Ponte 16;

(9) a share pledge dated 28 June 2007 entered into between SJM – Investment Limited as the first pledgor, World Fortune as the second pledgor, Banco Weng Hang as security agent and Pier 16 – Property Development in relation to a pledge over the shares in Pier 16 – Property Development in favour of Banco Weng Hang;

(10) a sale and purchase agreement dated 1 October 2007 entered into between Golden Sun Profits Limited ("Golden Sun"), an indirect wholly-owned subsidiary of the Company, as vendor and Maruhan as purchaser and the Company as Golden Sun's guarantor in respect of the sale and purchase of 10.2% of the entire issued share capital of, and the related shareholder's loan to, World Fortune, for an aggregate consideration of approximately HK$208.5 million;

(11) a subscription agreement dated 1 October 2007 entered into between Maruhan as subscriber and the Company as issuer in respect of the subscription of 220 million Shares; and

(12) the S&P Agreement.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Suite 1601-2 & 8-10, 16th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and the bye-laws of the Company;

(b) the memorandum and articles of association of Smart Class;

(c) the annual reports of the Company for the financial years ended 30 September 2006 and 2007 respectively;

(d) the accountants' report from CCIF CPA Limited of the Smart Class Group, the text of which is set out in Appendix II to this circular;

(e) the letter from CCIF CPA Limited in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(f) the letter of advice from Access Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 19 to 30 of this circular;

(g) the letters of consent as referred to under the paragraph headed "Experts and Consent" in this appendix;

(h) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 17 to 18 of this circular;

(i) the valuation report prepared by Norton Appraisals Limited, the text of which is set out in Appendix V to this circular;

(j) copies of the material contracts as referred to under the paragraph headed "Material Contracts" in this appendix; and

(k) the Company's circular dated 26 October 2007 in relation to the disposal of 10.2% of the entire issued share capital of, and the related shareholder's loan to, World Fortune.

10. MISCELLANEOUS

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company in Hong Kong is at Suite 1601-2 & 8-10, 16th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

(b) The principal share registrar and transfer office of the Company is Butterfield Fund Services (Bermuda) Limited at Rosebank Centre, 11 Bermudiana Road, Pembroke, HM 08, Bermuda. The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) 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.

(d) In the event of inconsistency, the English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

MACAU SUCCESS LIMITED

澳門實德有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00487)

NOTICE OF THE 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 Friday, 27 June 2008 at 2:30 p.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the entering into of the conditional sale and purchase agreement dated 5 May 2008 (the "S&P Agreement"), 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, inter alia, Star Spangle Corporation (the "Vendor") as vendor and the Company as purchaser, whereby the Vendor conditionally agreed to sell, and the Company conditionally agreed to purchase, or procure the purchase of, the entire issued share capital of Smart Class Enterprises Limited beneficially owned by the Vendor at a consideration of CAD2,900,000 (equivalent to approximately HK$22,620,000) (the "Consideration"), upon the terms and subject to the conditions therein contained, be and is hereby approved, confirmed and ratified, and the allotment and issue of 19,500,000 new ordinary shares of HK$0.01 each in the capital of the Company at an agreed issue price of HK$1.16 each (the "Consideration Shares") in full satisfaction of the Consideration by the Company to the Vendor or its nominee, and the performance of all transactions contemplated under the S&P Agreement be and are hereby approved;

* *For identification purpose only*

(b) conditional upon completion of the S&P Agreement, the directors of the Company be and are hereby authorised to allot and issue the Consideration Shares as fully paid to the Vendor or its nominee in full satisfaction of the Consideration; and

(c) 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 and to give effect to any or all transactions contemplated under the S&P Agreement."

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

Hong Kong, 28 May 2008

Head office and principal place of business in Hong Kong:
Suite 1601-2 & 8-10, 16th Floor
Great Eagle Centre
23 Harbour Road, Wanchai
Hong Kong

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Notes:

1. Any shareholder of the Company entitled to attend and vote at the meeting of the Company may appoint another person as his proxy to attend and vote instead of him. A shareholder of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy need not be a shareholder of the Company. In addition, a proxy or proxies representing either a shareholder of the Company who is an individual or a shareholder of the Company which is a corporation shall be entitled to exercise the same power on behalf of the shareholder of the Company which he or they represent as such shareholder of the Company could exercise.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.

3. To be valid, the instrument appointing a proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or notarially certified copy of such power or authority, shall be delivered to the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for the holding of the meeting or any adjourned meeting thereof at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of the meeting or any adjourned meeting thereof, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid.

4. Delivery of an instrument appointing a proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to have been revoked.

5. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

6. At the meeting, the chairman thereof will exercise his power under bye-law 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.