



MACAU SUCCESS LIMITED

澳門實德有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 487)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2004

The board of directors (the “Board”) of Macau Success Limited (the “Company”) announces that the audited pro forma combined results of the Company and its subsidiaries (the “Group”) for the year ended 30 September 2004 together with comparative figures for the previous year are as follows:–

PRO FORMA COMBINED INCOME STATEMENT

For the year ended 30 September 2004

| | | Year ended 30 September | |
|---|-------|-------------------------|------------------------|
| | | 2004 | 2003 |
| | Notes | HK\$'000 | HK\$'000 (Restated) |
| Turnover | 3 | 191,956 | 116,838 |
| Cost of sales | | (68,089) | (79,794) |
| Gross profit | | 123,867 | 37,044 |
| Other revenue | | 4,659 | 307 |
| | | 128,526 | 37,351 |
| Selling expenses | | (55,315) | (29,756) |
| Administrative expenses | | (49,062) | (10,583) |
| Other operating expenses, net | | (211) | (650) |
| Gain on disposal of subsidiaries | | 10 | 7,984 |
| Waiver of other loans | | 4,036 | 36,180 |
| Gain on disposal of discontinued operations | | 2,304 | – |

* For identification purpose only

| | | | |
|---|---|-------------------|-----------|
| Profit from operations | 4 | 30,288 | 40,526 |
| Finance costs | | (322) | (4,642) |
| Profit before taxation | | 29,966 | 35,884 |
| Taxation | 5 | (642) | (167) |
| Profit after taxation | | 29,324 | 35,717 |
| Minority interests | | (13,882) | (7) |
| Net profit from ordinary activities attributable to shareholders | | 15,442 | 35,710 |
| Earnings per share | | | |
| – Basic | 6 | 0.98 cents | 9.0 cents |
| – Diluted | | N/A | N/A |

Notes:

1. GROUP REORGANISATION AND BASIS OF PREPARATION

Macau Success (Hong Kong) Limited (formerly known as Macau Success Limited) (“MSHK”) the former holding company of the Group which was formerly listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) put forward a group reorganization (the “Group Reorganization”).

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

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

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

As the Group Reorganization took place on 8 November 2004, according to the Hong Kong Statement of Standard Accounting Practice No. 27, "Accounting for Group Reconstructions", the Company together with its subsidiaries should be regarded and accounted for as a continuing group in the preparation of the Group's financial statements commencing from the year ending 30 September 2005. Nevertheless, for the benefit of shareholders, pro forma combined results for the years ended 30 September 2003 and 2004 have also been presented.

The pro forma combined results of the Group for the years ended 30 September 2003 and 2004 include the results of the Company and its subsidiaries with effect from 1 October 2002 or since their respective dates of incorporation/establishment, where there is a shorter period.

All significant transactions and balances among the companies comprising the Group have been eliminated on combination.

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

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong, and comply with statements of standard accounting practice ("SSAP") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the requirements of the Hong Kong Companies Ordinance and The Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The financial statements are prepared under the historical cost convention.

In the current year, the Group has adopted, for the first time, SSAP 12 (revised) "Income taxes". The principal impact of the revision of this SSAP on these financial statements is that deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future.

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

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

2. SEGMENT INFORMATION

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

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

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

a) Business segments

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

GROUP

| | For the year ended 30 September 2004 | | | | | | | Group HK\$'000 |
|---|---|--------------------|-----------------------------------|-------------------------|--------------------------------------|--------------------|----------------------|-------------------|
| | Continuing operations | | | Discontinued operations | | | | |
| | Cruise leasing and management HK\$'000 | Travel HK\$'000 | Investment holding HK\$'000 | Subtotal HK\$'000 | Construction services HK\$'000 | Retail HK\$'000 | Subtotal HK\$'000 | |
| | <i>Notes (i) and (ii)</i> | | | | | | | |
| Segment revenue: | | | | | | | | |
| Turnover | 57,753 | 3,811 | - | 61,564 | 25,047 | 105,345 | 130,392 | 191,956 |
| Other revenue | - | 1 | 4,047 | 4,048 | - | 433 | 433 | 4,481 |
| Total revenue | <u>57,753</u> | <u>3,812</u> | <u>4,047</u> | <u>65,612</u> | <u>25,047</u> | <u>105,778</u> | <u>130,825</u> | <u>196,437</u> |
| Segment result | <u>28,155</u> | <u>(605)</u> | <u>(3,712)</u> | <u>23,838</u> | <u>78</u> | <u>6,194</u> | <u>6,272</u> | 30,110 |
| Interest income | | | | | | | | 178 |
| Profit from operations | | | | | | | | 30,288 |
| Finance costs | | | | | | | | (322) |
| Profit before taxation | | | | | | | | 29,966 |
| Taxation | | | | | | | | (642) |
| Profit after taxation | | | | | | | | 29,324 |
| Minority interests | | | | | | | | (13,882) |
| Net profit from ordinary activities attributable to shareholders | | | | | | | | <u>15,442</u> |

| | | | | | | | | |
|----------------------------|----------|-------|---------|----------|-----|-----|-----|----------|
| Segment assets | 100,469 | 1,007 | 36,073 | 137,549 | - | - | - | 137,549 |
| Segment liabilities | (35,825) | (138) | (3,673) | (39,636) | - | - | - | (39,636) |
| Other segment information: | | | | | | | | |
| Depreciation | 4,088 | 14 | 605 | 4,707 | 198 | 443 | 641 | 5,348 |
| Amortisation of goodwill | 66 | - | - | 66 | - | 145 | 145 | 211 |
| Capital expenditure | 96,062 | 99 | 303 | 96,464 | 86 | - | 86 | 96,550 |

Notes:

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

GROUP

| | For the year ended 30 September 2003 | | | | |
|------------------------|--------------------------------------|-------------------------|----------|----------|----------|
| | Continuing operations | Discontinued operations | | | Group |
| | Investment holding | Construction services | Retail | Subtotal | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Segment revenue: | | | | | |
| Turnover | - | 60,481 | 56,357 | 116,838 | 116,838 |
| Other revenue | 142 | - | 88 | 88 | 230 |
| Total revenue | 142 | 60,481 | 56,445 | 116,926 | 117,068 |
| Segment result | 39,888 | 582 | (21) | 561 | 40,449 |
| Interest income | | | | | 77 |
| Profit from operations | | | | | 40,526 |
| Finance costs | | | | | (4,642) |

| | | | | | |
|--|---------------|---------------|--------------|---------------|---------------|
| Profit before taxation | | | | | 35,884 |
| Taxation | | | | | (167) |
| Profit after taxation | | | | | 35,717 |
| Minority interests | | | | | (7) |
| Net profit from ordinary activities attributable to shareholders | | | | | <u>35,710</u> |
| Segment assets | 50,293 | 27,800 | 5,821 | 33,621 | 83,914 |
| Segment liabilities | <u>25,105</u> | <u>25,378</u> | <u>3,026</u> | <u>28,404</u> | <u>53,509</u> |
| Other segment information: | | | | | |
| Depreciation | 98 | 317 | 994 | 1,311 | 1,409 |
| Amortisation of goodwill | - | 414 | 237 | 651 | 651 |
| Capital expenditure | <u>1,802</u> | <u>748</u> | <u>220</u> | <u>968</u> | <u>2,770</u> |

b) Geographical segments

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

| | For the year ended 30 September 2004 | | | | |
|---------------------|--|----------------|---------------|-------------------------|---------------|
| | Continuing operations | | | Discontinued operations | |
| | South China Sea, other than in Hong Kong | | | Hong Kong | Group |
| | Hong Kong | Hong Kong | Subtotal | Hong Kong | Group |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Segment revenue: | | | | | |
| Turnover | 57,753 | 3,811 | 61,564 | 130,392 | 191,956 |
| Segment results | <u>28,155</u> | <u>(4,317)</u> | <u>23,838</u> | <u>6,272</u> | <u>30,110</u> |
| Segment assets | 100,469 | 37,080 | 137,549 | - | 137,549 |
| Capital expenditure | <u>96,062</u> | <u>402</u> | <u>96,464</u> | <u>86</u> | <u>96,550</u> |

For the year ended 30 September 2003

| | Continuing operations | | | Discontinued operations | |
|---------------------|--------------------------------------|-----------------------|----------------------|-------------------------|-------------------|
| | Hong Kong HK\$'000 | Hong Kong HK\$'000 | Subtotal HK\$'000 | Hong Kong HK\$'000 | Group HK\$'000 |
| | South China Sea, other than in | | | | |
| Segment revenue: | | | | | |
| Turnover | - | - | - | 116,838 | 116,838 |
| Segment results | - | 39,888 | 39,888 | 561 | 40,449 |
| Segment assets | - | 50,293 | 50,293 | 33,621 | 83,914 |
| Capital expenditure | - | 1,802 | 1,802 | 968 | 2,770 |

3. TURNOVER

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

| | Continuing operations | | Discontinued operations | | Group | |
|--|-----------------------|------------------|-------------------------|------------------|------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 | 2004 HK\$'000 | 2003 HK\$'000 | 2004 HK\$'000 | 2003 HK\$'000 |
| Turnover | | | | | | |
| Cruise leasing and management fee income | 57,753 | - | - | - | 57,753 | - |
| Travel agent service fee income | 3,811 | - | - | - | 3,811 | - |
| Construction, equipment rental and services income | - | - | 25,047 | 60,481 | 25,047 | 60,481 |
| Retail business | - | - | 105,345 | 56,357 | 105,345 | 56,357 |
| | 61,564 | - | 130,392 | 116,838 | 191,956 | 116,838 |

4. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging and crediting the following:

| | Continuing operations | | Discontinued operations | | Group | |
|---------------------------------|-----------------------|------------------|-------------------------|------------------|------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 | 2004 HK\$'000 | 2003 HK\$'000 | 2004 HK\$'000 | 2003 HK\$'000 |
| Amortisation of goodwill | 211 | 757 | - | - | 211 | 757 |
| Auditors' remuneration | 436 | 406 | 42 | 22 | 478 | 428 |
| Depreciation: | | | | | | |
| Owned fixed assets | 4,707 | 97 | 641 | 1,235 | 5,348 | 1,332 |
| Assets held under finance lease | - | - | - | 77 | - | 77 |
| Operating lease rentals: | | | | | | |
| Land and buildings | 813 | 56 | 850 | 648 | 1,663 | 704 |
| Plant and machinery | - | - | 53 | 971 | 53 | 971 |
| Provision for other receivables | - | - | 335 | - | 335 | - |
| Exchange gain | (208) | - | - | - | (208) | - |

| | | | | | | |
|--|---------------|------------|--------------|---------------|---------------|---------------|
| Loss on disposal of fixed assets, net | - | 9 | - | - | - | 9 |
| Staff cost (including contribution of Mandatory Provident Fund of HK\$339,000) (2003: HK\$633,000) | <u>16,321</u> | <u>273</u> | <u>2,429</u> | <u>17,319</u> | <u>18,750</u> | <u>17,592</u> |

5. TAXATION

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

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

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

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

| | <u>2004</u> | <u>2003</u> |
|---|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit before tax | <u>29,966</u> | <u>35,884</u> |
| Calculated at a taxation rate of 17.5% | 5,244 | 6,280 |
| Tax effect of non-deductible items for tax purposes | 1,908 | 1,542 |
| Tax effect of non-taxable income | (7,638) | (7,804) |
| Tax effect of tax losses not recognised | 1,513 | 222 |
| Unrecognised temporary difference | (341) | (25) |
| Tax effect on utilisation of previously unrecognised tax loss | (44) | (62) |
| Deferred tax effect on change in tax rate | – | 9 |
| Underprovision in prior year | – | 5 |
| Tax charge | <u>642</u> | <u>167</u> |

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

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

6. EARNINGS PER SHARE

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

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

7. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirm with the current period presentation.

RESULTS FOR THE YEAR

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

DIVIDEND

The directors do not recommend the payment of any dividends in respect of the year ended 30 September 2004 (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

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

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

Travel Business

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

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

Cruise Business

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

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

Reorganisation of the Group

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

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

Financial Review

Pledge of Assets

As at 30 September 2004, the Group had certain assets pledged to financial institutions to secure facilities of approximately HK\$0.2 million (2003: approximately HK\$1.0 million).

Contingent Liabilities

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

Liquidity, Financial Resources and Gearing

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

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

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

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

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

Capital Structure

Placing of New Shares

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

Placing of Existing Shares and Subscription of New Shares

Subsequent to the year, Silver Rich Macau Development Limited (“Silver Rich”) entered into a placing agreement (the “Placing Agreement”) and a subscription agreement (the “Subscription Agreement”) with Deutsche Bank AG (the “Placing Agent”) and the Company respectively on 10 November 2004. Pursuant to the Placing Agreement, the Placing Agent agreed to place, on a fully underwritten basis, 317,000,000 Shares to not less than six independent placees at a price of HK\$1.28 per Share (the “Placing”). Pursuant to the Subscription Agreement, Silver Rich conditionally agreed to subscribe for 317,000,000 new Shares at a price of HK\$1.28 per Share. The Placing and Subscription were completed on 12 November 2004 and 23 November 2004 respectively.

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

Material Acquisition and Disposal of Subsidiaries

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

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

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

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

Property Development, an affiliated company (as defined under the Listing Rules) of the Company after the Transfer, represents approximately 14.4% of the unaudited consolidated total assets of the Group as at 31 March 2004.

Staffing

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

Prospects

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

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

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14 February 2005 to 15 February 2005, both days inclusive, during which period no share transfer will be registered. In order to qualify for attendance at the forthcoming annual general meeting of the Company convened to be held on 16 February 2005, all transfer forms together with relevant share certificates must be lodged with the branch share registrars of the Company, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 12:30 p.m. on 8 February 2005.

CORPORATE GOVERNANCE

Code of Best Practice

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

Model Code for Securities Transactions by Directors

MSHK or the Company has adopted a code of conduct regarding securities transactions by Directors (the “Code of Conduct”) on terms no less exacting than the required standard of the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”).

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

Independent Non-executive Directors

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

Audit Committee

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

Review of Annual Results

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, there was no purchase, sale or redemption by the Company, or any of its subsidiaries of the listed securities of the Company.

PUBLICATION OF INFORMATION ON STOCK EXCHANGE’S WEBSITE

A detailed final results announcement containing all information required by paragraphs 45(1) to 45(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

ACKNOWLEDGEMENTS

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

By Order of the Board of
Macau Success Limited
Yeung Hoi Sing, Sonny
Chairman

The Current Board comprises:

Executive Directors:

Mr. Yeung Hoi Sing, Sonny, Mr. Chan William, Mr. Lee Siu Cheung

Non-executive Director:

Mr. Choi Kin Pui, Russelle

Independent Non-executive Directors:

Mr. Luk Ka Yee, Patrick, Mr. Yim Kai Pung, Ms. Yeung Mo Sheung, Ann

Hong Kong, 13 January 2005