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SUCCESS

SUCCESS UNIVERSE GROUP LIMITED

實德環球有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00487)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

RESULTS

The board of directors (the “Board” or the “Director(s)”) of Success Universe Group Limited (“Success Universe” or the “Company”) announces the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2010, with the comparative figures for the year ended 31 December 2009, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	2010 HK\$'000	2009 HK\$'000
Turnover	3,4	1,444,902	1,202,239
Cost of sales		<u>(1,352,774)</u>	<u>(1,114,589)</u>
Gross profit		92,128	87,650
Other revenue and gains	5	44,521	31,363
Administrative expenses		(138,585)	(136,042)
Other operating expenses	6(c)	<u>(12,600)</u>	<u>(30,906)</u>
Loss from operations		(14,536)	(47,935)
Finance costs	6(a)	(20,854)	(9,304)
Share of results of jointly controlled entities		331	–
Share of results of associates		<u>(44,435)</u>	<u>(115,657)</u>
Loss before taxation	6	(79,494)	(172,896)
Income tax	7	<u>(2,170)</u>	<u>(1,790)</u>
Loss for the year		<u>(81,664)</u>	<u>(174,686)</u>
Attributable to:			
Owners of the Company		(80,782)	(173,797)
Non-controlling interests		<u>(882)</u>	<u>(889)</u>
Loss for the year		<u>(81,664)</u>	<u>(174,686)</u>
Loss per share	9		
– Basic		<u>(3.31) HK cents</u>	<u>(7.13) HK cents</u>
– Diluted		<u>(3.31) HK cents</u>	<u>(7.13) HK cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	<i>Notes</i>	2010 HK\$'000	2009 HK\$'000
Loss for the year		(81,664)	(174,686)
Other comprehensive income/(loss)			
Exchange differences on translation of financial statements of overseas subsidiaries		1,342	3,648
Share of other comprehensive loss of associates		<u>–</u>	<u>(86,248)</u>
Total other comprehensive loss for the year, net of tax		<u>1,342</u>	<u>(82,600)</u>
Total comprehensive loss for the year		<u>(80,322)</u>	<u>(257,286)</u>
Attributable to:			
Owners of the Company		(79,769)	(257,179)
Non-controlling interests		<u>(553)</u>	<u>(107)</u>
Total comprehensive loss for the year		<u>(80,322)</u>	<u>(257,286)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

		At 31 December 2010 HK\$'000	At 31 December 2009 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		91,923	78,381
Goodwill		6,828	6,828
Intangible assets		38,823	32,526
Interest in associates		1,171,087	1,094,945
Interest in jointly controlled entities		1,693	1,362
Deposit for acquisition of properties		–	2,632
Deposit for acquisition of a company	10	–	60,384
Deferred tax assets		–	848
		1,310,354	1,277,906
CURRENT ASSETS			
Inventories		983	1,129
Trade and other receivables	11	47,707	15,893
Tax recoverable		184	–
Pledged bank deposits		8,104	8,273
Cash and cash equivalents		108,042	42,308
		165,020	67,603
CURRENT LIABILITIES			
Trade and other payables	12	22,536	22,097
Deferred income		948	170
Profit guarantee liabilities		9,100	9,100
Financial guarantee contract		12,600	12,600
Bank loans – due within one year		556	–
Tax payable		1,347	33
		47,087	44,000
NET CURRENT ASSETS		117,933	23,603
TOTAL ASSETS LESS CURRENT LIABILITIES		1,428,287	1,301,509
NON-CURRENT LIABILITIES			
Deferred income		3,002	–
Profit guarantee liabilities		23,508	32,608
Loans payables		454,640	313,754
Long-term payables		205,126	193,797
Due to a related company		23,191	20,994
Deferred tax liabilities		29	83
Financial guarantee contract		6,300	18,900
Bank loans – due after one year		13,940	–
Loan from a director and controlling shareholder		105,000	47,500
		834,736	627,636
NET ASSETS		593,551	673,873

	<i>Note</i>	At 31 December 2010 HK\$'000	At 31 December 2009 HK\$'000
CAPITAL AND RESERVES			
Share capital		24,390	24,390
Reserves		<u>523,500</u>	<u>603,269</u>
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		547,890	627,659
NON-CONTROLLING INTERESTS		<u>45,661</u>	<u>46,214</u>
TOTAL EQUITY		<u>593,551</u>	<u>673,873</u>

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“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 Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It also issued certain new and revised HKFRSs, which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on 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 consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the consolidated financial statements for the year ended 31 December 2010 are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2009 except as described below.

In the current year, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are effective for the Group’s accounting period beginning on 1 January 2010.

The new HKFRSs adopted by the Group in the consolidated financial statements are set out as follows:

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK-Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The application of the above new HKFRSs has no material effect on the results and financial positions of the Group and of the Company for the current or prior accounting periods which have been prepared and presented. Accordingly, no prior period adjustment was required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ⁷
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ²
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adaptors ⁴
HKFRS 7 (Amendments)	Disclosure - Transfer of Financial Assets ⁴
HKFRS 9	Financial Instruments ⁶
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ⁵
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 32 (Amendments)	Classification of Rights Issues ¹
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ *Effective for annual periods beginning on or after 1 February 2010*

² *Effective for annual periods beginning on or after 1 July 2010*

³ *Effective for annual periods beginning on or after 1 January 2011*

⁴ *Effective for annual periods beginning on or after 1 July 2011*

⁵ *Effective for annual periods beginning on or after 1 January 2012*

⁶ *Effective for annual periods beginning on or after 1 January 2013*

⁷ *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate*

The Group is in the process of assessing the potential impact of the above new HKFRSs upon initial application but is not yet in a position to state whether the above new HKFRSs will have a significant impact on the Group's and the Company's results of operations and financial positions.

3. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports which provide information about components of the Group. This information is reported to and reviewed by the chief operating decision maker ("CODM") for the purposes of resources allocation and performance assessment.

The CODM considers the business from both geographic and service perspective. Geographically, management considers the performance of the travel business in North America and Hong Kong separately.

The Group has presented the following two reportable segments. These segments are managed separately. The travel segment and the cruise leasing and management segment provide different services and require different information technology systems and marketing strategies.

The cruise leasing and management reportable segment provides cruise management services and the leasing of cruise.

The travel reportable operating segment derives their revenue primarily from sales of air tickets and provision of travel-related services.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment profit represents the profit from each segment without allocation of corporate administrative costs such as directors' salaries, share of results of associates and jointly controlled entities, investment income and corporate finance costs. To arrive at reportable segment profit, the management additionally provide segment information concerning interest income, finance costs and major non-cash items such as depreciation, amortisation and impairment losses derived from reportable segments. Unallocated corporate income mainly comprises amortisation on financial guarantee contract, management fee income from an associate and other sundry income. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment. Taxation charge/(credit) is not allocated to reportable segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

Inter-segment sales are priced with reference to prices charged to external parties for similar orders. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated income statement.

All assets are allocated to reportable segments other than current and deferred tax assets, tax recoverable, interest in associates, interest in jointly controlled entities and unallocated corporate assets. Unallocated corporate assets mainly include part of the property, plant and equipment, cash and cash equivalents of the central administration companies.

All liabilities are allocated to reportable segments other than current, deferred tax liabilities and corporate liabilities. Unallocated corporate liabilities mainly include profit guarantee liabilities, loans payables, long-term payables, financial guarantee contracts, loan from a director and controlling shareholder and part of other payables borne by the central administration companies.

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resources allocation and assessment of segment performance for the year is set out below:

	Cruise leasing and management		Travel		Total	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	69,600	72,600	1,375,302	1,129,639	1,444,902	1,202,239
Inter-segment revenue	–	–	946	788	946	788
Reportable segment revenue	69,600	72,600	1,376,248	1,130,427	1,445,848	1,203,027
Reportable segment profit/ (loss)	(1,938)	2,225	8,175	(9,433)	6,237	(7,208)
Interest income	14	3	10	49	24	52
Amortisation on intangible assets	–	–	(339)	(541)	(339)	(541)
Depreciation	(7,052)	(6,994)	(1,391)	(1,435)	(8,443)	(8,429)
Reversal of impairment loss recognised on other receivable	4,943	1,387	–	–	4,943	1,387
Reversal of impairment loss recognised on intangible assets	–	–	4,542	–	4,542	–
Impairment loss recognised on – intangible assets	–	–	–	(6,711)	–	(6,711)
– goodwill	–	–	–	(895)	–	(895)
Finance costs	–	–	(921)	(739)	(921)	(739)
Reportable segment assets	96,183	95,954	102,192	68,305	198,375	164,259
Additions to non-current segment assets	2,339	3,118	21,135	397	23,474	3,515
Reportable segment liabilities	3,235	4,287	68,729	45,843	71,964	50,130

(b) **Reconciliation of reportable segment revenue, profit/(loss), assets, liabilities and other items**

	2010 HK\$'000	2009 HK\$'000
Revenue		
Reportable segment revenue	1,445,848	1,203,027
Elimination of inter-segment revenue	(946)	(788)
	<u>1,444,902</u>	<u>1,202,239</u>
Consolidated turnover		
	<u>1,444,902</u>	<u>1,202,239</u>
Profit/(loss)		
Reportable segment profit/(loss)	6,237	(7,208)
Share of results of jointly controlled entities	331	–
Share of results of associates	(44,435)	(115,657)
Unallocated corporate income	28,354	19,612
Depreciation	(1,870)	(2,999)
Interest income	25	118
Finance costs	(19,933)	(8,565)
Unallocated corporate expenses	(48,203)	(58,197)
	<u>(79,494)</u>	<u>(172,896)</u>
Consolidated loss before taxation		
	<u>(79,494)</u>	<u>(172,896)</u>
	At 31 December 2010 HK\$'000	At 31 December 2009 HK\$'000
Assets		
Reportable segment assets	198,375	164,259
Interest in associates	1,171,087	1,094,945
Interest in jointly controlled entities	1,693	1,362
Unallocated		
– Deferred tax assets	–	848
– Tax recoverable	184	–
– Corporate assets	104,035	84,095
	<u>1,475,374</u>	<u>1,345,509</u>
Consolidated total assets		
	<u>1,475,374</u>	<u>1,345,509</u>
Liabilities		
Reportable segment liabilities	71,964	50,130
Unallocated		
– Tax payable	1,347	33
– Deferred tax liabilities	29	83
– Corporate liabilities	808,483	621,390
	<u>881,823</u>	<u>671,636</u>
Consolidated total liabilities		
	<u>881,823</u>	<u>671,636</u>

Other items

	Cruise leasing and management		Travel		Unallocated		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation on intangible assets	-	-	339	541	-	-	339	541
Impairment loss recognised on								
- intangible assets	-	-	-	6,711	-	-	-	6,711
- goodwill	-	-	-	895	-	-	-	895
Depreciation	7,052	6,994	1,391	1,435	1,870	2,999	10,313	11,428
Reversal of impairment loss recognised on intangible assets	-	-	(4,542)	-	-	-	(4,542)	-
Reversal of impairment loss recognised on other receivable	(4,943)	(1,387)	-	-	-	-	(4,943)	(1,387)
Interest income	(14)	(3)	(10)	(49)	(25)	(118)	(49)	(170)
Finance costs	-	-	921	739	19,933	8,565	20,854	9,304
Additions to non-current assets	2,339	3,118	21,135	397	128	8	23,602	3,523

(c) **An analysis of the Group's revenue from all major services is as follows:**

	2010	2009
	HK\$'000	HK\$'000
Sales of air tickets	1,281,477	1,055,558
Travel and related services fee income	93,825	74,081
Cruise leasing and management	69,600	72,600
	<u>1,444,902</u>	<u>1,202,239</u>

(d) **Geographical information**

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical location of customers refers to the location at which the services were provided. The Group's non-current assets included property, plant and equipment, goodwill, intangible assets, interest in associates, interest in jointly controlled entities, deposit for acquisition of properties and deposit for acquisition of a company.

The geographical location of property, plant and equipment and deposit for acquisition of properties is based on the physical location of the asset under consideration. In the case of intangible assets and goodwill, it is based on the location of operations to which these intangibles are allocated. In the case of interest in associates and jointly controlled entities and deposit for acquisition of a company, it is the location of operations of such associates and jointly controlled entities and company.

	Revenue from external customers		Non-current assets	
	2010 HK\$'000	2009 HK\$'000	At 31 December 2010 HK\$'000	At 31 December 2009 HK\$'000
Hong Kong (place of domicile)	6,414	3,089	4,500	5,923
Macau	–	–	1,171,087	1,094,945
North America	1,368,888	1,126,550	68,418	44,667
South China Sea, other than in Hong Kong	69,600	72,600	66,349	71,139
People's Republic of China	–	–	–	60,384
	<u>1,444,902</u>	<u>1,202,239</u>	<u>1,310,354</u>	<u>1,277,058</u>

(e) **Major customer**

Revenue of approximately HK\$69,600,000 (2009: approximately HK\$72,600,000) is derived from a single external customer. This revenue is attributable to the cruise leasing and management segment.

4. TURNOVER

The principal activities of the Group are leasing of and provision of management services to the cruise and travel-related business.

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

	2010 HK\$'000	2009 HK\$'000
Cruise leasing and management fee income	69,600	72,600
Travel-related agency services fee income		
– Sales of air tickets	1,281,477	1,055,558
– Travel and related services fee income	93,825	74,081
	<u>1,375,302</u>	<u>1,129,639</u>
	<u>1,444,902</u>	<u>1,202,239</u>

5. OTHER REVENUE AND GAINS

	2010 HK\$'000	2009 HK\$'000
Other revenue		
Interest income on bank deposits	49	170
Total interest income on financial assets not at fair value through profit or loss	49	170
Commission income	46	124
Management fee income from an associate	6,840	6,795
Write back of long-outstanding trade payables	346	3,210
Compensation for termination of contract (note 10)	7,026	–
Amortisation on financial guarantee contract	12,600	12,600
Other income	8,129	7,077
	<u>35,036</u>	<u>29,976</u>
Other gains		
Reversal of impairment loss recognised on intangible assets	4,542	–
Reversal of impairment loss recognised on other receivable*	4,943	1,387
	<u>9,485</u>	<u>1,387</u>
	<u><u>44,521</u></u>	<u><u>31,363</u></u>

* *This represents impairment recognised on debts due by a debtor which has been long-outstanding. The Directors considered that the amounts due could not be recovered. Therefore, full impairment has been made in the previous year. During the year, the debtor has made repayment in respect of such long-outstanding amount, therefore, the reversal of impairment loss was recognised for the year.*

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting) the following:

	2010 HK\$'000	2009 HK\$'000
(a) Finance costs		
Interest on loan from a related company	816	739
Interest on bank loans	105	–
Interest on long-term payables	11,329	6,749
Interest on loan from a director and controlling shareholder	3,412	1,043
Interest on other loan	5,192	573
	<hr/>	<hr/>
Total interest expenses on financial liabilities not at fair value through profit or loss	20,854	9,104
Finance charges	–	200
	<hr/>	<hr/>
	20,854	9,304
	<hr/> <hr/>	<hr/> <hr/>
(b) Staff costs		
Salaries, wages and other benefits (including directors' emoluments)	64,549	61,927
Contributions to defined contribution retirement plan	2,311	1,675
	<hr/>	<hr/>
	66,860	63,602
	<hr/> <hr/>	<hr/> <hr/>
(c) Other operating expenses		
Impairment loss recognised on		
– goodwill	–	895
– intangible assets	–	6,711
– interest in associates	12,600	12,600
– interest in jointly controlled entity	–	10,700
	<hr/>	<hr/>
	12,600	30,906
	<hr/> <hr/>	<hr/> <hr/>

	2010 HK\$'000	2009 HK\$'000
(d) Other items		
Auditors' remuneration		
– audit services	1,449	1,454
– other services	250	325
Depreciation on owned fixed assets	10,313	11,428
Amortisation on intangible assets	339	541
Loss on disposal of property, plant and equipment	2	18
Operating lease rentals		
– properties	8,963	7,951
– plant and machinery	571	539
Net exchange gain	(687)	(911)
Cost of inventories	<u>23,079</u>	<u>17,870</u>

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	2010 HK\$'000	2009 HK\$'000
Current tax – Hong Kong Profits Tax		
– Charge for the year	14	1,275
– Under provision in respect of prior years	<u>17</u>	<u>–</u>
	31	1,275
Current tax – Overseas profits tax		
– Charge for the year	1,324	–
– Under provision in respect of prior years	<u>–</u>	<u>31</u>
	1,355	1,306
Deferred taxation relating to the origination and reversal of temporary differences	<u>815</u>	<u>484</u>
	<u>2,170</u>	<u>1,790</u>

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profit for the year.

Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

8. DIVIDENDS

No interim dividend was paid during the year under review (2009: Nil). The Directors do not recommend any payment of a final dividend for the year ended 31 December 2010 (2009: Nil).

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$80,782,000 (2009: approximately HK\$173,797,000) and on the weighted average number of approximately 2,438,964,000 ordinary shares (2009: approximately 2,438,964,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

Diluted loss per share equals to the basic loss per share as there were no potential dilutive ordinary shares outstanding for the year presented.

10. DEPOSIT FOR ACQUISITION OF A COMPANY

This represented a deposit of HK\$60,000,000 paid to 上海永德投資有限公司 (“上海永德”), an independent third party, upon signing of a letter of intent (the “Letter of Intent”) and a confidentiality agreement (the “Confidentiality Agreement”) on 10 January 2008 for the proposed acquisition by an indirect wholly-owned subsidiary of the Company of at least 10% and not more than 51% of the entire issued share capital of 重慶林科物業發展有限公司, a 90% owned subsidiary of 上海永德. A letter agreement has been signed on 30 June 2010 to further extend the long stop date for entering into a formal agreement to 31 December 2010. The Letter of Intent and the Confidentiality Agreement were eventually terminated on 13 December 2010 and the deposit has been refunded with a compensation of approximately HK\$7,026,000 (note 5).

11. TRADE AND OTHER RECEIVABLES

	At 31 December 2010 HK\$'000	At 31 December 2009 HK\$'000
Trade receivables	16,976	9,672
Other receivables	17,576	22,994
Less: impairment loss recognised on other receivables	<u>(16,433)</u>	<u>(21,376)</u>
	<u>1,143</u>	<u>1,618</u>
Trade and other receivables	18,119	11,290
Prepayments and deposits	<u>29,588</u>	<u>4,603</u>
	<u><u>47,707</u></u>	<u><u>15,893</u></u>

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

Aging analysis

Included in trade and other receivables, the aging analysis for trade receivables is as follows:

	At 31 December 2010 HK\$'000	At 31 December 2009 HK\$'000
Current	14,810	6,722
31 to 60 days overdue	902	1,280
61 to 90 days overdue	969	1,589
Over 90 days overdue	295	81
	<u>16,976</u>	<u>9,672</u>

The Group normally allows an average credit period of 30 to 60 days to customers of cruise leasing and management business (2009: average credit period of 30 to 60 days) and 30 days to customers of travel business (2009: 30 days).

12. TRADE AND OTHER PAYABLES

	At 31 December 2010 HK\$'000	At 31 December 2009 HK\$'000
Trade payables	9,536	9,122
Accrued charges and other payables	13,000	12,975
	<u>22,536</u>	<u>22,097</u>

Aging analysis

Included in trade and other payables, the aging analysis of trade payables is as follows:

	At 31 December 2010 HK\$'000	At 31 December 2009 HK\$'000
Current	8,276	5,875
31 to 60 days	787	2,490
61 to 90 days	187	311
Over 90 days	286	446
	<u>9,536</u>	<u>9,122</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Riding on the strong global economic recovery throughout 2010, the Group achieved substantial improvement in its business performance during the year through the effective execution of the Group's three-pronged strategy. This resulted in enhancements in the strategic synergies among the Group's core travel and cruise businesses, as well as its flagship investment project, Ponte 16. In addition to attaining substantial growth in the operating results of the travel business and Ponte 16, the resort also reinforced its unique positioning as a premier world-class travel destination infused with exclusive international cultural elements. These accomplishments also strengthened the Group's business platform, laying a solid foundation for seizing growth opportunities ahead.

The following discussion should be read in conjunction with the consolidated financial statements and the related notes included in this announcement.

Results

2010 marked a year of robust growth for Success Universe. The Group posted a turnover of approximately HK\$1,444.9 million for the year ended 31 December 2010, representing an increase of approximately 20% from approximately HK\$1,202.2 million in 2009. Gross profit reached approximately HK\$92.1 million, up approximately 5% from approximately HK\$87.7 million in 2009. Loss attributable to owners of the Company narrowed to approximately HK\$80.8 million, compared to approximately HK\$173.8 million in 2009. Loss per share also reduced from 7.13 HK cents in 2009 to 3.31 HK cents in 2010.

Turnover from the Group's travel business soared approximately 22% to approximately HK\$1,375.3 million in 2010, compared to approximately HK\$1,129.6 million in 2009, as ticketing revenue increased by approximately 21% to approximately HK\$1,281.5 million in 2010, compared to approximately HK\$1,055.6 million in 2009, backed by economic recovery in Hong Kong, Canada and the United States of America (the "USA"). This segment also posted a profit during the year as a result of strong revenue growth, with a segment profit reaching approximately HK\$8.2 million, compared with a segment loss of approximately HK\$9.4 million in the last corresponding year.

With its distinctive positioning that appeals to visitors from Mainland China, Hong Kong and overseas, Ponte 16 maintained its strong growth momentum in 2010 and achieved a growth of approximately 201% in EBITDA* to approximately HK\$206.6 million. While high depreciation and amortisation charges during the initial stage of operations continued to affect Ponte 16's results during the year, the loss has been reduced substantially on the back of its strong business performance. The Group's shared loss of the associates relating to Ponte 16 for the year ended 31 December 2010 amounted to approximately HK\$44.4 million, which was substantially lower than that for 2009 of approximately HK\$115.7 million.

* EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortisation

Dividends

No interim dividend was paid in 2010 (2009: Nil). The Directors do not recommend any payment of a final dividend for the year ended 31 December 2010 (2009: Nil).

Review of Operations

Travel Business

Posted a profit in the wake of economic rebound

The gradual growth momentum of the Group's travel business which started in the second half of 2009 continued in 2010, capitalising on the global economic recovery which drove demand for air tickets and other travel products. The Group's travel business units in Hong Kong and Macau together with its travel agency companies located in Canada and the USA (the "Jade Travel Group"), witnessed robust growth in sales and posted a profit for the business segment for the year. Turnover in the segment increased by approximately 22% to approximately HK\$1,375.3 million, compared to approximately HK\$1,129.6 million in 2009. Profit in this segment amounted to approximately HK\$8.2 million, compared with a loss of approximately HK\$9.4 million in 2009.

During the year, the travel business continued to deliver strong results, fueled by the growth in ticketing sales as well as its popular tailor-made inbound and outbound tours to and from North America. The global reach of the Group's travel business network also translated into cross-selling opportunities for Ponte 16 and the Group's cruise business, resulting in a broadening of the customer base for these units, particularly in the high-end market segment. In addition to providing one-stop travel service to leisure and business travellers as well as local and multinational corporations, the Group also stepped up its efforts in developing the MICE (Meeting, Incentive, Convention and Exhibition) business to further expand this high-margin business stream.

Cruise Business

Stable revenue contribution despite surge in fuel costs

The cruise business remained a steady revenue contributor for the Group during the year. Turnover from the cruise ship, M.V. Macau Success, (in which the Group has a 55% interest) decreased by approximately 4% to approximately HK\$69.6 million (2009: approximately HK\$72.6 million). The cruise business posted a segment loss of approximately HK\$1.9 million compared with a profit of approximately HK\$2.2 million in 2009. During the year, the surge in fuel costs continued to have a negative impact on the performance in this segment.

Investment Project: Ponte 16

Unique positioning results in sustainable strong growth

Ponte 16 further upheld its position as a world-class resort destination of choice during the year. Leveraging its unparalleled combination of cultural and entertainment elements as well as its strategic location in the historic Inner Harbour District of Macau, Ponte 16 attained substantial growth in operating results during the year and at the same time further raised its profile on the world stage.

Ponte 16 continued to outperform the overall Macau gaming industry during 2010, with gross gaming revenue achieving a growth rate of approximately 76% from last year, comparing to the industry rate of approximately 58%. During the China National Day Holiday “Golden Week” in October 2010, Ponte 16 recorded a double-digit growth in the average number of visitors as compared to that of the same period in the previous year.

Currently, the casino of Ponte 16 has a total of 109 gaming tables, 81 of which are mass gaming tables, nine are high-limit tables and 19 are VIP tables.

Ponte 16 enriched its entertainment offering with the grand opening of Asia’s first Michael Jackson (“MJ”) gallery, MJ Gallery at Ponte 16 (the “Gallery”), in February 2010. Housing over 40 rare collectibles of MJ, including a left hand white rhinestone glove which MJ wore in his first Moonwalk performance, the Gallery has been immensely popular among tourists since its opening and is on the Macau Government Tourist Office’s list of “must-see” attractions. The grand opening of MJ Café at Ponte 16 in August 2010 further boosted the attractiveness of the premier resort destination.

During the year, Ponte 16 successfully raised its global profile by introducing joint international events with a world-renowned auction house, Julien’s Auctions, into Macau’s entertainment scene. In May 2010, Ponte 16 hosted “Rock the World” Exhibition as the sole sponsor in Macau. The exhibition featured over 100 valuable items from the biggest stars in modern movies and pop music, including MJ, Marilyn Monroe, “Superman” Christopher Reeve and the leading lady of “Titanic”, Kate Winslet. Ponte 16 also sponsored Hollywood “Legends” Exhibition in September 2010, showcasing close to 200 pieces of collectibles from MJ, Madonna, Elvis Presley, Princess Diana, Bruce Lee and The Beatles, as well as an assortment of pop culture artifacts from Hollywood blockbuster movies.

Following the successful exhibitions, Ponte 16 staged Hollywood “Legends” Auction in October 2010, bringing in the first auction held by Julien’s Auctions in Asia. The auction drew over 10,000 buyers and collectors of Hollywood and rock ‘n’ roll pop culture artifacts from around the world. Overall, 435 auction items were sold during the 11-hour auction. The most impressive sale went to the MJ and Michael Jordan signed basketball, which was sold at 366 times over the highest estimated price at US\$294,000 including buyer’s premium.

The resounding success of the series of iconic international events has not only enhanced the cultural appeal of Ponte 16 and helped broaden its customer base, but also elevated its global image as well as that of Macau. As such, Ponte 16 is very proud to be able to play an integral role in contributing to the revitalisation of the historic Inner Harbour District of Macau and its transformation into a truly international tourist attraction. During the year, Ponte 16 was able to achieve a more diverse customer mix, drawing in a growing number of visitors from many neighbouring and Western countries. Leveraging the extensive sales network of its travel platform, the Group stepped up its marketing efforts in Mainland China, and partnered with various airlines and tour operators to offer Chinese tourist travel packages to Ponte 16.

The award-winning Sofitel Macau At Ponte 16, managed by the internationally-acclaimed hotel management group, the Accor Group, continued to be one of the preferred accommodation choices for visitors from Mainland China and abroad. Throughout the year under review, the five-star hotel recorded a high occupancy rate that was in line with the industry average, and the luxury VIP mansions of Sofitel Macau At Ponte 16 continued to be well received by high-end travellers from across the globe.

With its unbeatable world-class services and facilities, Sofitel Macau At Ponte 16 was named one of the “Top 25 Hotels in Hong Kong, Macau and Taiwan” by TripAdvisor in its “Travelers’ Choice 2010 Awards”, “The Best Presidential Suite Macau” by Hurun Presidential Awards, “2010 China Travel Awards – China’s Top 100 Hotels” and “Best Leisure Hotel in Macau” by Travel + Leisure Magazine, and the “2010 Outstanding Service Hotel Award in Macau” by HotelClub. These awards are a testament to the efforts and dedication of the hotel in meeting and exceeding the expectations of its guests.

Financial Review

Liquidity, Financial Resources and Gearing

As at 31 December 2010, the Group had net current assets of approximately HK\$117.9 million (31 December 2009: approximately HK\$23.6 million) and net assets of approximately HK\$593.6 million (31 December 2009: approximately HK\$673.9 million).

On 1 December 2008, Mr. Yeung Hoi Sing, Sonny (“Mr. Yeung”), a Director and a controlling shareholder of the Company, provided a HK\$200 million term loan facility to the Company which is unsecured and charged with interest at the prime rate quoted for Hong Kong dollars loans by The Hongkong and Shanghai Banking Corporation Limited. The principal amount of the loan facility was increased up to HK\$290 million on 14 April 2009 and the final repayment date of the loan and all other sums owing to Mr. Yeung under the revised loan facility was further extended to 30 October 2012 by a letter agreement dated 23 June 2010. As at 31 December 2010, the Company had utilised the loan facility in the amount of HK\$105.0 million (31 December 2009: HK\$47.5 million).

On 22 October 2009, the Company as borrower and New Shepherd Assets Limited (“New Shepherd”), a wholly-owned subsidiary of the Company, as security provider entered into an agreement in relation to a HK\$250 million revolving credit facility (the “Revolving Credit Facility”) with a financial institution (the “Lender”) as lender, which is a third party independent of the Company. The Revolving Credit Facility carries a floating interest rate and the loan under such facility shall be repayable on or before 36 months after 22 October 2009. The proceeds of the Revolving Credit Facility should be applied for on-lending to Pier 16 – Property Development Limited (“Pier 16 – Property Development”) in connection with the cashflow requirements of Pier 16 – Property Development and its subsidiaries. As at 31 December 2010, the Company had utilised the Revolving Credit Facility in the amount of HK\$246.0 million (31 December 2009: HK\$132.0 million).

During the year, Jade Travel Ltd. (“Jade Travel, Canada”), an 80% indirectly owned subsidiary of the Company which was incorporated in Canada, was granted secured bank loans which carry a fixed interest rate and the loans shall be repayable by consecutive monthly instalments. The proceed of the loans was to finance the acquisition of the new properties of Jade Travel, Canada and their renovation costs. As at 31 December 2010, the outstanding loans were approximately HK\$14.5 million (31 December 2009: Nil).

Apart from the aforesaid loans, as at 31 December 2010, the Group had interest-bearing loan from a related company of approximately HK\$23.2 million (31 December 2009: approximately HK\$21.0 million). The loan is unsecured and charged with interest at the rate of 4% per annum and has no fixed terms of repayment.

As at 31 December 2010, there were loans from shareholders of non-controlling interests of approximately HK\$16.4 million (31 December 2009: approximately HK\$10.0 million) and other loans payables of approximately HK\$192.2 million (31 December 2009: approximately HK\$171.7 million). These loans are interest-free, unsecured and will not be repaid within the next 12 months.

Total equity attributable to owners of the Company as at 31 December 2010 was approximately HK\$547.9 million (31 December 2009: approximately HK\$627.7 million). Accordingly, the gearing ratio, which was measured on the basis of the interest-bearing borrowings of the Group over total equity attributable to owners of the Company, was approximately 71% as at 31 December 2010 (31 December 2009: approximately 32%).

Provision of Further Financial Assistance to Pier 16 – Property Development

Reference was made to the announcement dated 25 June 2010 issued by the Company, additional shareholder's loans in the total amount of approximately HK\$134.9 million had been provided to Pier 16 – Property Development during the year (31 December 2009: approximately HK\$188.5 million), which were mainly to finance the construction cost of and the repayment of indebtedness by Pier 16 – Property Development.

Pledge of Assets

As at 31 December 2010, the Group had secured the following assets:

- (a) the Group pledged the time deposits of approximately HK\$8.1 million (31 December 2009: approximately HK\$8.3 million) to certain banks for the issuance of several bank guarantees and a standby letter of credit facility of approximately HK\$10.2 million (31 December 2009: approximately HK\$10.2 million) for the operations of the Group;
- (b) World Fortune Limited, an indirect subsidiary of the Company, pledged all (31 December 2009: 100%) of its shares in Pier 16 – Property Development to a bank, for and on behalf of the syndicate of lenders, in respect of syndicated loan facilities granted to Pier 16 – Property Development;
- (c) New Shepherd pledged 51% (31 December 2009: 51%) of the entire issued share capital from time to time of Favor Jumbo Limited, an indirect wholly-owned subsidiary of the Company, to the Lender in respect of the Revolving Credit Facility granted to the Company; and
- (d) the Group's self-occupied properties with carrying amount of approximately HK\$21.6 million (31 December 2009: Nil) was pledged to a bank to secure bank loans to Jade Travel, Canada.

Contingent Liabilities

As at 31 December 2010, the Company gave a corporate guarantee for the syndicated loan facilities of HK\$1,600 million granted to an associate of the Group (31 December 2009: HK\$1,600 million). The maximum guarantee amount borne by the Company was HK\$860 million (31 December 2009: HK\$860 million). The total loan outstanding and bank guarantee facility from the syndicated loan facilities for the associate as at 31 December 2010 was HK\$800 million and HK\$240 million respectively (31 December 2009: HK\$1,040 million and Nil respectively).

Human Resources

As at 31 December 2010, the Group had a total of 424 employees. Remuneration is determined on the basis of qualifications, experience, responsibilities 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.

Prospects

Looking ahead, the Group's travel business is expected to benefit from the steady global economic recovery amid record low interest rates as well as signs of stabilising employment and property markets in major economies. While China's economic growth is expected to moderate this year, its momentum will remain strong. The continuous growth in wealth and income in China will prove to be a strong growth driver for the travel industry going forward.

To seize these growth opportunities, the Group will continue to focus on expanding its foothold in the China market and seek further cross-selling opportunities for Ponte 16 and the Group's cruise business through cooperation with travel operators in Mainland China.

For the Jade Travel Group, economic resilience in North America will continue to benefit its ticketing and tour businesses. The granting of "Approved Destination Status" to Canada by the Mainland China authorities has opened up new business opportunities. The Group is actively identifying business partners with sound credibility in China to channel business to the Jade Travel Group.

Leveraging Macau's increasingly important status as an international conference and exhibition centre, the Group will continue to step up its efforts in developing its MICE business. With its global business network, the Group is also exploring MICE business opportunities beyond Macau through proactive liaisons with convention centres around the world to further expand this high-margin business avenue.

Building on its rising international reputation, the Group's flagship investment project, Ponte 16, will continue to benefit from the strong growth in visitor arrivals in Macau. The consistent growth is further supported by the Macau Government's recent measure to limit the number of gaming tables, which is set to help sustain the healthy development of the gaming and entertainment industry in the long run.

To further strengthen its unmatched position as a premier resort destination, Ponte 16 will continue to explore new Hollywood elements to bring an exclusive entertainment experience to its visitors, and to further raise its brand awareness worldwide.

In early 2011, Pier 16 – Property Development entered into a settlement agreement with the remaining occupant of the construction site of phase 3 of the Ponte 16 development project to terminate the legal proceedings it had initiated in 2005. Following the settlement agreement, Ponte 16 recovered possession of the whole construction site, and the development of the shopping arcade at phase 3 will proceed as planned. The shopping arcade, which will offer an array of shops and restaurants, is expected to be another stable revenue contributor to Ponte 16.

In view of the sustainable economic growth of Mainland China, the Group initiated a new business in 2010 which intends to provide a technology services platform as well as technical support to China's mobile sports lottery market. This strategic expansion of the Group's entertainment arm will not only extend the Group's footprint in Mainland China, but will also enable it to capture the enormous potential and growth opportunities of China's burgeoning lottery industry.

Backed by the positive global economic outlook and favourable policy environment in Macau and Mainland China, the Group will continue to strengthen its business platform and competitive edge by continuing the implementation of the three-pronged business strategy, and to translate the results into enhanced value for its shareholders, partners and customers. Over the long-term, the Group is poised to benefit from its growing market position and will certainly enrich its business portfolio.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2010, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2010.

REVIEW OF FINAL RESULTS

The consolidated results for the year ended 31 December 2010 have been audited by the Company's auditors, HLB Hodgson Impey Cheng and reviewed by the audit committee of the Board which were of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2010 have been agreed by HLB Hodgson Impey Cheng, to the amounts set out in the Group's consolidated financial statements for the year under review. The work performed by HLB Hodgson Impey Cheng in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng on the preliminary announcement.

On behalf of the Board of
SUCCESS UNIVERSE GROUP LIMITED
Yeung Hoi Sing, Sonny
Chairman

Hong Kong, 29 March 2011

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Yeung Hoi Sing, Sonny (Chairman) and Dr. Ma Ho Man, Hoffman (Deputy Chairman); one non-executive Director, namely 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.