

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 and 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.

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



MACAU SUCCESS LIMITED

澳門實德有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 487)

MAJOR AND CONNECTED TRANSACTIONS

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



Kim Eng Corporate Finance (Hong Kong) Limited

A letter of advice from Kim Eng Corporate Finance (Hong Kong) Limited to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 24 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on page 13 of this circular.

A notice convening the SGM of Macau Success Limited to be held at 2:30 p.m. on Monday, 25 April 2005 at Conrad Hong Kong, Kennedy Room, Level 7, Pacific Place, 88 Queensway, Hong Kong is set out on pages 70 to 71 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the meeting, you are requested to complete the accompanying form of proxy and return it in accordance with the instructions printed thereon as soon as possible to the Company's branch share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	13
Letter from Kim Eng	14
Appendix I – Financial information on the Group	25
Appendix II – General information	63
Notice of the SGM	70

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Availability Period”	the period commencing on the date of the Loan Agreement and ending on the earlier of (i) 5 business days after the fulfillment of the conditions set out in the Loan Agreement; or (ii) the date on which the Loan Facility is fully drawn, cancelled or terminated in accordance with the provisions of the Loan Agreement
“Board”	the board of Directors, including the independent non-executive Directors
“Borrower”	King Seiner Palace Promotor De Jogos, Limitada, a company incorporated in Macau with limited liability and is owned as to 56% by Mr. Yeung, 24% by Mr. Chan and 20% by an Independent Third Party
“Company”	Macau Success Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guarantee”	the guarantee to be executed by the Guarantors in favour of the Lender as security for the Loan Facility
“Guarantors”	Mr. Yeung and Mr. Chan
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board has been established for the purpose of advising the Independent Shareholders in connection with the Loan Agreement and the Option Deed and the respective transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than Mr. Yeung, Mr. Chan and their respective associates
“Independent Third Party(ies)”	a person(s) or company(ies) which is/are not connected with the Directors, chief executive, substantial shareholders (as defined in the Listing Rules) of the Company or any of their respective associates

DEFINITIONS

“Kim Eng”	Kim Eng Corporate Finance (Hong Kong) Limited, a licensed corporation registered under the SFO carrying out type 6 regulated activity (as defined in the SFO) and the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“King Seiner Palace”	a hall providing gambling activities located in Pharaoh Hotel (formerly known as The Landmark Hotel), Macau
“Latest Practicable Date”	1 April 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Lender”	Joyspirit Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the principal amount to be drawn and for the time being outstanding under the Loan Facility
“Loan Agreement”	the loan agreement dated 7 March 2005 entered into between the Lender and the Borrower in relation to the grant of the Loan Facility
“Loan Facility”	the loan facility of HK\$50 million to be made available by the Lender to the Borrower in accordance with the terms and conditions of the Loan Agreement
“Macau”	the Macau Special Administrative Region of the PRC
“Mr. Chan”	Mr. Chan Hon Keung is beneficially interested in approximately 16.26% of the issued share capital of the Company and 24% of the share capital of the Borrower as at the Latest Practicable Date
“Mr. Yeung”	Mr. Yeung Hoi Sing, Sonny, an executive Director, is beneficially interested in approximately 37.94% of the issued share capital of the Company and 56% of the share capital of the Borrower as at the Latest Practicable Date
“Option”	the option to require the allotment and issue by the Borrower of the Option Interest to the Lender or its nominee at the Option Price upon and subject to the terms and conditions of the Option Deed

DEFINITIONS

“Option Deed”	the deed of option dated 7 March 2005 entered into between the Lender and the Borrower in relation to the grant of the Option by the Borrower to the Lender
“Option Interest”	20% of the enlarged share capital of the Borrower as at the date of the completion of the allotment and issue of the Option Interest
“Option Price”	the price of exercising the Option by the Lender
“PRC”	the People’s Republic of China
“Profits”	net profits of the Borrower before all interest payments on the Loan for the latest financial year of the Borrower as shown in the audited accounts of the Borrower
“Secured Indebtedness”	the Loan and all outstanding interest accrued thereon and all other fees and money due and payable by the Borrower from time to time in respect of the Loan Facility, and all other moneys which may from time to time be due and owing by the Borrower, the Guarantors and/or such other persons as the Borrower may agree with the Lender whether under the Loan Agreement, the Guarantee or otherwise
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“SGM”	a special general meeting of the Company to be convened and held to consider and, if thought fit, to approve the Loan Agreement and the Option Deed and the respective transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“MOP”	Macau Patacas, the lawful currency of Macau
“%”	per cent.

Unless otherwise stated, amounts denominated in MOP have been converted into HK\$ in this circular at a rate of MOP1.03=HK\$1.0. No representation is made that any amounts in MOP and HK\$ can be or could have been converted at such rate or any other rate or at all.

LETTER FROM THE BOARD



MACAU SUCCESS LIMITED

澳門實德有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 487)

Executive Directors:

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

Mr. Chan William (*Deputy Chairman*)

Mr. Lee Siu Cheung

Non-executive Director:

Mr. Choi Kin Pui, Russelle

Independent non-executive Directors:

Mr. Luk Ka Yee, Patrick

Mr. Yim Kai Pung

Ms. Yeung Mo Sheung, Ann

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

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

Units 1002-05A, 10th Floor

West Tower, Shun Tak Centre

200 Connaught Road Central

Hong Kong

7 April 2005

To the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTIONS

INTRODUCTION

On 7 March 2005, the Lender and the Borrower entered into the Loan Agreement and the Option Deed.

Pursuant to the Loan Agreement, the Lender will, subject to fulfillment of the conditions precedent set out therein, provide the Loan Facility of HK\$50 million to the Borrower during the Availability Period, which will be used as general working capital of the Borrower for the purpose of running its gaming intermediaries business at the King Seiner Palace. The interest payable on the Loan is the higher of (i) 20% per annum; and (ii) the amount equivalent to 18% of the Profits.

* For identification purpose only

LETTER FROM THE BOARD

In consideration of the Lender agreeing to grant the Loan Facility to the Borrower, the Guarantors will execute the Guarantee whereby they will jointly and severally guarantee, unconditionally and irrevocably, the due and punctual payment by the Borrower of the Secured Indebtedness and/or any part thereof which becomes due from time to time and the due and punctual performance and observance by the Borrower of all of its obligations contained in the Loan Agreement.

In addition, pursuant to the Option Deed, the Borrower agrees, subject to fulfillment of the conditions precedent set out therein, to grant the Option to the Lender which is exercisable at the Option Price by the Lender at any time during 57 months from the date of the Option Deed. Upon exercise of the Option, the Borrower shall be entitled to 20% of the enlarged share capital of the Borrower as at the date of the completion of the allotment and issue of the Option Interest.

The purpose of this circular is to provide you with further information regarding, among other things, the Loan Agreement, the Guarantee, the Option Deed, the financial information on the Group, the recommendation of the Independent Board Committee to the Independent Shareholders and the advice of Kim Eng to the Independent Board Committee and the Independent Shareholders in relation to the Loan Agreement and the Option Deed and the respective transactions contemplated thereunder, and to give you notice of the SGM to be convened for the purpose of considering and, if thought fit, approving the Loan Agreement and the Option Deed and the respective transactions contemplated thereunder by way of poll.

THE LOAN AGREEMENT DATED 7 MARCH 2005

Parties

The Lender: Joyspirit Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company

The Borrower: King Seiner Palace Promotor De Jogos, Limitada, a company incorporated in Macau with limited liability on 1 March 2005 and is owned as to 56% by Mr. Yeung, 24% by Mr. Chan and 20% by an Independent Third Party

Principal terms of the Loan Agreement

Pursuant to the Loan Agreement, the Borrower has requested the Lender and the Lender has agreed, subject to fulfillment of the conditions precedent set out therein, to grant to the Borrower the Loan Facility of HK\$50 million in accordance with the principal terms set out below:

Drawing: The Borrower may request the Lender to advance the full amount available under the Loan Facility once during the Availability Period. The making of the drawing by the Borrower is subject to, among other conditions, the receipt of legal opinion by the Lender in form and substance satisfactory to the Lender covering, inter alia, the licence-related issues regarding the Borrower, taxation and foreign exchange implications in relation to the business of the Borrower, the business operation of the Borrower, the power and authority of the Borrower to enter into, deliver and perform the terms of the Loan Agreement and the Option Deed and Macau laws and other laws relevant to the respective transactions contemplated under the Loan Agreement and the Option Deed.

LETTER FROM THE BOARD

Repayment: Subject to the other terms and conditions of the Loan Agreement, the Borrower shall repay the Loan and all indebtedness and moneys payable by the Borrower in full within 60 months after the date of the drawdown by the Borrower. However, by giving not less than 30 days' prior written notice to the Borrower specifying the date of repayment, the Lender may require the Borrower to repay the whole of the Loan and all indebtedness and moneys payable by the Borrower under the Loan Agreement on its demand.

Voluntary Prepayment: The Borrower may voluntarily prepay the whole amount but not part of the Loan together with interest thereon accrued up to the date of prepayment falling after 36 months from the date of the drawdown provided that:

- (i) the Borrower shall have given to the Company not less than 90 days' prior written notice specifying the date of prepayment;
- (ii) the rights of the Borrower to prepay shall be subject to the rights of the Lender under the Option Deed (i.e. the Lender has the rights to exercise the Option within 14 days after receipt of the notice of prepayment from the Borrower); and
- (iii) all other sums then due and payable under the Loan Agreement shall have been fully repaid.

Interest: Interest on the Loan shall be the higher of 20% per annum and the amount equivalent to 18% of the Profits, which shall be payable in the following manner:

- (i) the Borrower shall pay interest on the Loan at the rate of 20% per annum accrued on daily basis which is payable by the Borrower to the Lender in arrears on monthly basis; and
- (ii) the Borrower shall, within 60 days after the end of each financial year, deliver to the Lender audited accounts of the Borrower showing, among others, the Profits for the financial year to which it relates. Should the amount of 18% of the Profits be more than the amount of interest paid to the Lender as mentioned in (i) above during such financial year, the Borrower shall pay to the Lender such shortfall at the time of the delivery of its audited accounts.

Conditions precedent

The Lender is not obliged to make the Loan Facility available to the Borrower unless and until the following conditions precedent have been fulfilled:

- i) the Independent Shareholders having approved at the SGM the grant of the Loan Facility by the Lender to the Borrower, the grant of the Option by the Borrower to the Lender under the Option Deed and the performance by the Lender of the respective transactions contemplated under the Loan Agreement and the Option Deed; and

LETTER FROM THE BOARD

- ii) all necessary consents and approvals (or waivers) having been obtained by the Borrower and the Lender for the entering into of the Loan Agreement and the Option Deed.

None of the above conditions could be waived. If any of the above conditions is not fulfilled on or before 30 June 2005 (or such later date as may be agreed between the Lender and the Borrower in writing), the Loan Agreement shall be terminated automatically and have no further force and effect.

THE GUARANTEE

Pursuant to the Loan Agreement, the Guarantors shall execute the Guarantee in favour of the Lender prior to the advancement of the Loan Facility by the Lender to the Borrower. According to the Guarantee, in consideration of the Lender agreeing to grant the Loan Facility to the Borrower upon the terms and conditions of the Loan Agreement, the Guarantors will jointly and severally guarantee, unconditionally and irrevocably:

- i) the due and punctual payment by the Borrower of the Secured Indebtedness and/or any part thereof which becomes due from time to time; and
- ii) the due and punctual performance and observance by the Borrower of all of its obligations contained in the Loan Agreement.

If for any reason the Borrower does not pay any sum in respect of the Secured Indebtedness in accordance with the Loan Agreement, the Guarantors shall pay to the Lender such sum which, net of any withholding and/or deductions, shall be equal to that sum (as certified by the Lender to be owing by the Borrower) forthwith upon receiving the Lender's first written demand.

THE OPTION DEED DATED 7 MARCH 2005

Grant of the Option

Pursuant to the Option Deed, the Borrower agrees, subject to fulfillment of the conditions precedent set out therein, to grant the Option to the Lender which is exercisable at the Option Price by the Lender at any time during 57 months from the date of the Option Deed. Upon exercise of the Option, the Borrower shall be entitled to 20% of the enlarged share capital of the Borrower as at the date of the completion of the allotment and issue of the Option Interest. However, the Option will lapse if the Option is not exercised within 14 days after receipt of the notice of prepayment from the Borrower in accordance with the terms and conditions under the Loan Agreement.

Conditions precedent

The grant of the Option by the Borrower to the Lender is subject to fulfillment of the following conditions:

- (i) the Independent Shareholders having approved at the SGM the grant of the Loan Facility by the Lender to the Borrower under the Loan Agreement, the grant of the Option by the Borrower to the Lender under the Option Deed and the performance by the Lender of the respective transactions contemplated under the Loan Agreement and the Option Deed; and

LETTER FROM THE BOARD

- (ii) all necessary consents and approvals (or waivers) having been obtained by the Borrower and the Lender for the entering into of the Option Deed and the Loan Agreement.

None of the above conditions could be waived. If any of the above conditions is not fulfilled on or before 30 June 2005 (or such later date as may be agreed between the Lender and the Borrower in writing), the Option Deed shall be terminated automatically and have no further force and effect.

Exercise of the Option and the determination of the Option Price

Notwithstanding the grant of the Option by the Borrower to the Lender is subject to approval by the Independent Shareholders at the SGM, the exercise of the Option by the Lender will constitute a transaction and will be subject to, if required by the Listing Rules, the Shareholders' approval at a separate general meeting upon the time of the exercise of the Option and other applicable requirements as stipulated under the Listing Rules. Accordingly, it is expressly provided in the Option Deed that the exercise of the Option by the Lender is subject to fulfillment of the following conditions:

- (i) if required by the Listing Rules, the passing of an ordinary resolution by the Shareholders (other than those who are required to abstain from voting under the Listing Rules) at a general meeting of the Company approving the exercise of the Option by the Lender pursuant to the provisions of the Option Deed and the performance of the transactions contemplated thereunder;
- (ii) the consents and approvals (or waivers) from all relevant regulatory authorities in Macau having been obtained for the Lender or its nominee to become the holder of the Option Interest; and
- (iii) all other necessary consents and approvals (or waivers) having been obtained by the Borrower and the Lender for exercising the Option under the Option Deed.

The Option may be exercised at the Option Price by the Lender at any time during 57 months from the date of the Option Deed by serving a notice to the Borrower upon which the Option shall be deemed exercised.

The Option Price shall, unless otherwise agreed between the Lender and the Borrower, be determined on the following basis:

$$\text{Option Price} = A \times 20\%$$

whereas:

“A” represents not exceeding 4 times of the Profits at time of the exercise of the Option.

The final Option Price will be determined through arms' length negotiation between the Borrower and the Lender.

LETTER FROM THE BOARD

Pursuant to the Option Deed, upon completion of the allotment and issue of the Option Interest, the Borrower shall deliver to the Lender an irrevocable direction instructing the Lender to pay the Option Price by way of setting off of part or whole of the Loan owing by the Borrower to the Lender under the Loan Agreement and any remaining part of the Loan shall be repaid by the Borrower to the Lender. In the event that the amount of the Option Price is more than the Loan, the shortfall should be paid by the Lender to the Borrower.

INFORMATION ON THE BORROWER AND ITS GAMING INTERMEDIARIES BUSINESS

The Borrower was incorporated in Macau on 1 March 2005 and is owned as to 56% by Mr. Yeung, 24% by Mr. Chan and 20% by an Independent Third Party as at the Latest Practicable Date. The Borrower will be principally engaged in the gaming intermediaries business at the King Seiner Palace and will apply for the Gaming Intermediaries Licence (博彩中介人執照) as soon as possible under the Gaming Intermediaries Regulation of Macau.

The obtaining of the Gaming Intermediaries Licence (博彩中介人執照) is subject to the consents given by the casino operator at the King Seiner Palace. As such, there is currently no concrete timetable as to when the Gaming Intermediaries Licence (博彩中介人執照) will be obtained by the Borrower. Should the Lender aware that the Borrower is unable to obtain the Gaming Intermediaries Licence (博彩中介人執照), the Lender may require the Borrower to repay the full amount of the Loan and all indebtedness and moneys payable by the Borrower by giving not less than 30 days' prior written notice to the Borrower.

The gaming intermediaries business to be carried out by the Borrower in Macau includes marketing and organizing gaming-related trips for introducing customers to participate in the gaming activities provided by the casino operator, being an Independent Third Party, at the King Seiner Palace and the provision of other ancillary services such as food and beverage services, accommodation and transportation arrangements for its customers. According to the Borrower, the King Seiner Palace is undergoing renovation works and currently expected to be re-opened in May 2005.

As advised by the Borrower, the Loan to be drawn by the Borrower under the Loan Agreement will be used as general working capital of the Borrower for the purpose of running its gaming intermediaries business at the King Seiner Palace.

Other than the registered share capital of MOP1,500,000 and other incidental costs relating to the incorporation of the Borrower, the Borrower does not have any other assets or liabilities as at the Latest Practicable Date.

INFORMATION ON THE GROUP

The Group is principally engaged in the leasing and management of the 55% owned cruise ship and other tourists-related businesses.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE LOAN AGREEMENT AND THE OPTION DEED

As stated in the annual report of the Company for the year ended 30 September 2004, the established strategies of the Group are to develop and strengthen tourists-related business including further development of hotels and casinos business in Macau. As mentioned in the announcement of the Company dated 9 November 2004, it is expected by the Directors that given clear strategies established by the Government of Macau to continuously develop Macau as a tourism and gaming, as well as an international MICE (Meetings, Incentives, Conferences, Exhibitions) and leisure destination, the prospects of the gaming industry, local tourism, hotel services and other related industries in Macau will be promising in the future. In view of the business development strategies of the Group and the promising business environment in Macau, the Group has already entered into a joint development of a Macau theme park project, Ponte 16, which enables the Group to participate in the hotel business with gaming entertainment in Macau.

Further to the Ponte 16 project as described above, the Group also intends to participate in the gaming intermediaries business in Macau. Although the Borrower is a newly established company, Mr. Yeung and Mr. Chan, being interested in 56% and 24% of share capital of the Borrower respectively as at the Latest Practicable Date, have been engaging in the gaming-related business for over 5 years and 9 years respectively and will be responsible for the overall management of the Borrower. As such, the Directors consider that the management of the Borrower has sufficient experience in carrying out the gaming intermediaries business in Macau. Furthermore, the Board considers that under the current proposed arrangements of the Loan Agreement and the Option Deed, the Group will be able to benefit from not only a stable source of revenue by way of the interest payable on the Loan with potential upward adjustments according to the performance of the gaming intermediaries business to be operated by the Borrower, but also have the rights to acquire a fixed percentage of the equity interest in the Borrower to directly participate in the gaming intermediaries business in Macau as and when appropriate. Therefore, the Board proposes to enter into the Loan Agreement and the Option Deed.

The Board considers that the entering into of the Loan Agreement and the Option Deed will enable the Group to:

- (i) have a guaranteed and stable stream of interest revenue which is equal to 20% on the Loan annually, subject to upward adjustment to a maximum of 18% of the Profits depending on the profitability of the Borrower (see (ii) below);
- (ii) share 18% of the Profits if the amount of the fixed interest as mentioned in (i) above is less than 18% of the Profits;
- (iii) depending on the business and financial performance of the Borrower, have the flexibility and rights to acquire 20% of the enlarged share capital of the Borrower at the Option Price which will not exceed 4 times of the Profits; and
- (iv) if there are other investment opportunities which can generate higher returns, have the flexibility to require repayment of the Loan on demand by giving only a prior written notice to the Borrower.

LETTER FROM THE BOARD

Based on the aforesaid, the Board is of the view that the entering into of the Loan Agreement and the Option Deed are in line with the Group's long-term business development strategies; can broaden the revenue bases of the Group; and provide the Group with an opportunity to participate in gaming intermediaries business in Macau. Therefore, the Board considers that (i) the entering into of the Loan Agreement and the Option Deed are in the interests of the Group and the Shareholders as a whole; and (ii) the terms of the Loan Agreement and the Option Deed are fair and reasonable as far as the Independent Shareholders are concerned and in the interest of the Group and the Shareholders as a whole.

As advised by the Board, the Group will use its internal resources to finance the Loan Facility.

IMPLICATIONS UNDER THE LAWS OF HONG KONG AND THE LISTING RULES

Reference is made to the guidelines issued by the Stock Exchange in relation to "Gambling Activities undertaken by listing applicants and/or listed issues" dated 11 March 2003 (the "Guidelines"). Under the Guidelines, if the Group is directly or indirectly engaged in gambling activities, the Group should ensure that the operation of such gambling activities should comply with the applicable laws in the areas where such activities operate and/or not contravene the Gambling Ordinance (Chapter 148 of the Laws of Hong Kong) (the "Gambling Ordinance"). Should such operation (i) fail to comply with the applicable laws in the areas where such activities operate and/or (ii) contravene the Gambling Ordinance, the Company or its business may be considered unsuitable for listing under Rule 8.04 of the Listing Rules and the Stock Exchange may direct the Company to take remedial action, and/or may suspend dealings in, or may cancel the listing of, the Shares on the Stock Exchange. Accordingly, should the Lender exercise the Option and be interested in 20% equity interest in the Borrower, the Company will use its best endeavours to ensure that the operation of the Borrower must (i) comply with the applicable laws in the areas where such activities operate; and/or (ii) not contravene the Gambling Ordinance.

COMPLIANCE WITH THE LISTING RULES

The Borrower is owned as to 56% by Mr. Yeung, 24% by Mr. Chan and 20% by an Independent Third Party as at the Latest Practicable Date. Mr. Yeung, being the executive Director, and Mr. Chan are beneficially interested in approximately 37.94% and 16.26% of the issued share capital of the Company respectively as at the Latest Practicable Date. As such, the Borrower is a connected person of the Company as defined under the Listing Rules and the entering into of the Loan Agreement and the Option Deed constitutes connected transactions for the Company. Therefore, the Loan Agreement and the Option Deed will be subject to the Independent Shareholders' approval by poll at the SGM. Each of Mr. Yeung, Mr. Chan and their respective associates will abstain from voting in respect of the proposed resolution(s) approving the Loan Agreement and the Option Deed at the SGM.

In addition, the entering into of the Loan Agreement and the Option Deed also constitutes major transactions for the Company under the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. Luk Ka Yee, Patrick, Mr. Yim Kai Pung and Ms. Yeung Mo Sheung, Ann, all of them being the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Loan Agreement and the Option Deed and the respective transactions contemplated thereunder. Kim Eng has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

SGM

Set out on pages 70 to 71 of this circular is a notice convening the SGM which will be held at 2:30 p.m. on Monday, 25 April 2005 at Conrad Hong Kong, Kennedy Room, Level 7, Pacific Place, 88 Queensway, Hong Kong at which an ordinary resolution will be proposed to approve the Loan Agreement and the Option Deed and the respective transactions contemplated thereunder by way of poll.

The form of proxy for use by the Shareholders at the SGM is enclosed with this circular. Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it as soon as possible to the Company's branch share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting thereof. Completion and return of a form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so desire.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on page 13 of this circular. The Independent Board Committee, taking into account the advice of Kim Eng, the text of which is set out on pages 14 to 24 of this circular, considers that the terms of the Loan Agreement and the Option Deed and the respective transactions contemplated thereunder are fair and reasonable and are in the interests of the Shareholders and the Group as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of the SGM to approve the Loan Agreement and the Option Deed and the respective transactions contemplated thereunder.

FURTHER INFORMATION

Your attention is drawn to the text of the letters from the Independent Board Committee and Kim Eng respectively containing their opinions regarding the Loan Agreement and the Option Deed and the respective transactions contemplated thereunder.

Your attention is also drawn to the financial information on the Group and the general information as set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
Macau Success Limited
Lee Siu Cheung
Executive Director



MACAU SUCCESS LIMITED

澳門實德有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 487)

7 April 2005

To the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTIONS

As the Independent Board Committee, we have been appointed to advise you in connection with the Loan Agreement and the Option Deed and the respective transactions contemplated thereunder. Details of the Loan Agreement and the Option Deed and the respective transactions contemplated thereunder are set out in the letter from the Board contained in the circular to the Shareholders dated 7 April 2005 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same respective meanings when used herein unless the context otherwise requires.

Having considered the terms of the Loan Agreement and the Option Deed and the respective transactions contemplated thereunder and the advice of Kim Eng in relation thereto as set out on pages 14 to 24 of the Circular, we are of the opinion that the terms of the Loan Agreement and the Option Deed and the respective transactions contemplated thereunder are fair and reasonable and are in the interests of the Group and the Shareholders (including the Independent Shareholders) as a whole. We therefore recommend that you vote in favour of the ordinary resolution to be proposed at the SGM to approve the Loan Agreement and the Option Deed and the respective transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Luk Ka Yee, Patrick

Independent non-executive Director

Yim Kai Pung

Independent non-executive Director

Yeung Mo Sheung, Ann

Independent non-executive Director

* *For identification purpose only*

LETTER FROM KIM ENG

The following is the text of a letter of advice from Kim Eng, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in connection with the Loan Agreement and the Option Deed.



Kim Eng Corporate Finance (Hong Kong) Limited

Room 1901, Bank of America Tower,
12 Harcourt Road, Central
Hong Kong

*The Independent Board Committee
and the Independent Shareholders*

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

7 April 2005

Dear Sirs,

MAJOR AND CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms and conditions of the Loan Agreement and the Option Deed. Details of the Loan Agreement and the Option Deed are set out in the letter from the Board contained in the circular issued by the Company to the Shareholders dated 7 April 2005 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 7 March 2005, the Lender, an indirect wholly-owned subsidiary of the Company, and the Borrower entered into (i) the Loan Agreement whereby the Lender has agreed, among others things, to grant to the Borrower the Loan Facility of HK\$50 million upon the terms and subject to the conditions therein contained; and (ii) the Option Deed whereby the Borrower has agreed to grant the Option to the Lender which is exercisable at the Option Price by the Lender at any time during the 57 months from the date of the Option Deed upon the terms and subject to the conditions therein contained. Each of the Loan Agreement and the Option Deed is conditional upon, inter alia, the approval of the Independent Shareholders at the SGM.

LETTER FROM KIM ENG

The Loan Agreement and the Option Deed constitute major and connected transactions for the Company under the Listing Rules, and are subject to the approval of the Independent Shareholders by poll at the SGM by virtue of the fact that the Borrower is a connected person of the Company under the Listing Rules.

Mr. Lee Siu Cheung, the executive Director, Mr. Choi Kin Pui, Russelle, the non-executive Director, Mr. Luk Ka Yee, Patrick, Mr. Yim Kai Pung and Ms. Yeung Mo Sheung, Ann, all of them are independent non-executive Directors, and their respective associates do not hold any Shares as at the Latest Practicable Date. Mr. Yeung beneficially holds 722,632,802 Shares, representing approximately 37.94% of the issued share capital of the Company as at the Latest Practicable Date. Mr. Chan beneficially holds 309,608,630 Shares, representing approximately 16.26% of the issued share capital of the Company as at the Latest Practicable Date. Mr. Chan William, the executive Director, is the son of Mr. Chan and therefore, is an associate of Mr. Chan.

Mr. Yeung and Mr. Chan, who have a material interest in the Loan Agreement and Option Deed, and their respective associates (as defined under the Listing Rules) are required to abstain from voting at the SGM on the proposed resolution approving the Loan Agreement and the Option Deed. As at the Latest Practicable Date, save and except for Mr. Yeung and Mr. Chan and their respective associates, the Company is not aware of any other Shareholder with an interest in the Loan Agreement and the Option Deed which is required to abstain from voting at the SGM.

INDEPENDENT BOARD COMMITTEE

The Board currently consists of three executive Directors, namely Mr. Yeung, Mr. Chan William and Mr. Lee Siu Cheung, a non-executive Director, namely Mr. Choi Kin Pui, Russelle, who is a salaried Director, and three independent non-executive Directors, namely Mr. Luk Ka Yee, Patrick, Mr. Yim Kai Pung and Ms. Yeung Mo Sheung, Ann.

In view of the above, 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 formed to consider the terms and conditions of the Loan Agreement and the Option Deed and give advice and make recommendation to the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In forming our opinion as to whether the terms of the Loan Agreement and the Option Deed are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole, we have relied on the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true, accurate and complete at the time when they were made and continued to be true, accurate and complete as at the date of the Circular.

We have also assumed that all statements of belief, opinion and intention made by the Board contained in the Circular have been reasonably made by them after their due enquiry and careful consideration and that there are no other facts the omission of which would make any statement in the Circular misleading in any material respect.

LETTER FROM KIM ENG

Our review and analyses were based upon the information provided by the Company which is set out below:

- the terms and conditions under the Loan Agreement;
- the terms and conditions under the Option Deed;
- the annual report of the Company for the year ended 30 September 2004 (the “Annual Report”);
- the circular of the Company dated 26 November 2004 in relation to the discloseable transaction involving the acquisition of 14.5% equity interest in and provision of financial assistance to Pier 16 – Property Development Limited for the development of a theme park;
- the announcement of the Company dated 11 November 2004 in relation to the placing and subscription of Shares; and
- the Circular.

In addition to the information provided by the Company, we have also reviewed the publications on the official website of the Statistics and Census Service, Government of Macau Special Administrative Region.

We consider that we have reviewed sufficient information to reach a reasonably informed view to justify our reliance on the accuracy of the information contained in the Circular as aforesaid and to provide reasonable grounds for our advice.

Furthermore, we have no reason to doubt the truth, accuracy and/or completeness of the information and representations as provided to us by the Directors. We have not conducted any independent in-depth investigation into nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in relation to the terms and conditions of the Loan Agreement and the Option Deed, we have considered the following principal factors and reasons:–

1. Reason for the entering into the Loan Agreement and the Option Deed

The current principal activities of the Group include, without limitation, leasing and management of the 55% owned cruise ship and other tourist-related businesses. On 9 November 2004, the Company announced that it was expected by the Directors that given clear strategies established by the Government of Macau to continuously develop Macau as a tourism and gaming, as well as an international MICE (Meeting, Incentives, Conferences, Exhibitions) and leisure destination, the prospects of the gaming industry, local tourism, hotel services and other related industries in Macau will be promising in the future. As stated in the circular of the Company dated 26 November 2004, the Group has entered into a joint development of a Macau theme park project, Ponte 16, which enables the Group to participate in the hotel business with gaming entertainment in Macau.

LETTER FROM KIM ENG

On 24 February 2005, Macau Government Tourist Office announced that it would make its best effort to develop Macau into tourism, gaming, MICE and leisure hub, in accordance with Macau's development direction.

The Directors consider that, apart from the Ponte 16 project as stated above, the Group also intends to participate in the gaming intermediaries business in Macau. The Board considers that under the current proposed arrangements of the Loan Agreement and the Option Deed, the Group will be able to benefit from not only a stable source of revenue by way of the interest income on the Loan with the potential upward adjustments according to the performance of the gaming intermediaries business to be operated by the Borrower, but also have the right to acquire a fixed percentage of the equity interest in the Borrower to directly participate in the gaming intermediaries business in Macau as and when appropriate. Save for the Ponte 16 project, the Loan Agreement and the Option Deed, we are given to understand from the Company that it is still seeking for suitable investment opportunities in Macau. However, no concrete plans and terms have been finalised as at the Latest Practicable Date.

We are of the view that the current proposed arrangements of the Loan Agreement and the Option Deed provide the Group with (i) the flexibility and right to engage in the gaming intermediaries business in the future as and when the time becomes mature and appropriate; and (ii) more time to oversee the business prospects of the gaming intermediaries business in Macau and at the same time enjoying a guaranteed interest income. As a result, we consider that the current proposed arrangements of the Group would be more favourable than investing in the Borrower directly at this moment. In addition, we are of the view that the Group has commercial reasons to proceed with the Loan Agreement and the Option Deed in order to continue the development of the Group's business in Macau.

2. Principal terms of the Loan Agreement

Availability Period	The period commencing on the date of the Loan Agreement and ending on the earlier of (i) five business days after the fulfillment on the conditions set out in the Loan Agreement; or (ii) the date on which the Loan Facility is fully drawn, cancelled or terminated in accordance with the provisions of the Loan Agreement
Drawing	The Borrower may request the Lender to advance the full amount available under the Loan Facility once during the Availability Period
Repayment	The Borrower shall repay the Loan and all indebtedness and moneys payable by the Borrower in full within 60 months after the date of the drawdown by the Borrower. However, by giving not less than 30 days' prior written notice to the Borrower specifying the date of repayment, the Lender may require the Borrower to repay the whole of the Loan and all indebtedness and moneys payable by the Borrower under the Loan Agreement on its demand
Interest	Higher of 20% per annum and the amount equivalent to 18% of the Profits

LETTER FROM KIM ENG

We also note that Mr. Yeung and Mr. Chan shall execute the Guarantee in favour of the Lender as security for the Loan Facility. Pursuant to the Guarantee, Mr. Yeung and Mr. Chan will jointly and severally guarantee, unconditionally and irrevocably for the due and punctual payment by the Borrower of the Secured Indebtedness and/or any part thereof which becomes due from time to time; and the due and punctual performance and observance by the Borrower of all of its obligations contained in the Loan Agreement.

We have identified two listed companies in Hong Kong (the “Comparables”) and the businesses of which are included but not limited to Macau related investments. In 2005, such Comparables have granted certain loan amount for its investment in Macau related business and the major terms of such loans granted are as follows:

Name of company	Loan amount <i>HK\$</i>	Repayment period	Interest rate per annum	Guarantees
China United International Holdings Limited (stock code: 273)	150,000,000	8 years	Nil <i>(Note)</i>	Nil
Heritage International Holdings Limited (stock code: 412)	100,000,000	8 years	Nil <i>(Note)</i>	Nil
The Company	50,000,000	Within 60 months or 30 days' prior written notice	20% or 18% of the Profits, whichever is higher	Mr. Yeung and Mr. Chan

Note: The terms of the loans in respect of the Comparables were interest free with no other favourable terms.

As shown in the table above, we note that the major terms of the Loan Agreement are more favourable than those of the Comparables. As stated in the paragraph headed “Working Capital” below, the Group has abundant idle cash for further investment and working capital purpose and we are of the view that a guaranteed interest income of 20% per annum on the Loan would enable the Group for generating a better return than earning interest by depositing the idle cash in a financial institution under the Group’s current circumstances that it has not yet identified any other suitable investment opportunity. Based on the above, we are of the view that the terms of the Loan Agreement are in the interest of the Company and the Independent Shareholders as a whole.

In addition, the Group has the flexibility to require repayment of the Loan on demand by giving not less than 30 days’ prior written notice to the Borrower. We are of the view that such flexibility allows the Group to participate in other investment opportunities (if available) which can generate higher returns.

3. Capability of the Borrower to repay the Loan

As set out in the letter from the Board in the Circular, other than the registered share capital of MOP1,500,000 and other incidental costs relating to the incorporation of the Borrower, the Borrower did not have any other assets or liabilities as at the Latest Practicable Date. Under the Loan Agreement, the Lender will grant to the Borrower the Loan Facility of HK\$50 million which will be used as general working capital of the Borrower for the purpose of running the gaming intermediaries business. In addition, the Guarantors shall execute the Guarantee in favour of the Lender prior to the advancement of the Loan Facility to the Borrower.

For the purpose of our analysis, as at the Latest Practicable Date, Mr. Yeung and Mr. Chan are beneficially interested in 722,632,802 Shares and 309,608,630 Shares respectively. Based on the market price of HK\$0.93 per Share as quoted from the Stock Exchange as at the Latest Practicable Date, the Shares beneficially owned by Mr. Yeung and Mr. Chan worth approximately HK\$672.0 million and approximately HK\$287.9 million respectively. The aggregate market value of Shares held by Mr. Yeung and Mr. Chan was approximately HK\$959.9 million as at the Latest Practicable Date, which represents a substantial premium of approximately 19.2 times over the amount of the Loan Facility.

Based on the above, we consider that the Guarantors should have the ability to meet their obligation under the Guarantee in the event that the Borrower fails to repay the Loan when it falls due.

4. Principal terms of the Option Deed

Pursuant to the Option Deed, the Borrower has agreed to grant to the Lender the Option which is exercisable at the Option Price by the Lender at any time during the 57 months from the date of the Option Deed upon the terms and subject to the conditions therein contained. Upon exercise of the Option, the Borrower shall be entitled to 20% of the enlarged share capital of the Borrower as at the date of the completion of the allotment and issue of the Option Interest. The Option Price shall, unless otherwise agreed between the Lender and the Borrower, be determined on the basis of not exceeding 4 times of the Profits at time of the exercise of the Option multiple by 20% and the final Option Price will be determined through arms' length negotiation between the Borrower and the Lender.

Based on the above, it should be noted that the exercise of the Option is at the sole discretion of the Lender. The Lender has the right to exercise the Option if it is allowed under the applicable laws and regulations as well as the Company considers the then Profits of the Borrower could be able to generate a higher returns to the Group than the Loan.

On the other hand, for the purpose of our analysis, we have extracted certain information from the circular dated 16 February 2005 of Century Legend (Holdings) Limited ("Century Legend Circular"), a company whose shares are listed on the Stock Exchange and has been engaged in the gaming intermediaries business in Macau. We note from the Century Legend Circular that Century Legend (Holdings) Limited has invested an aggregate of approximately HK\$35.1 million for 15% interest in member/business partners established to carry out the gaming intermediaries business in Macau. As stated in the Century Legend Circular, the share of losses by Century Legend (Holdings) Limited for such investments for the month of December 2003 was amounted to HK\$42,000 while the share of profits for the year ended 31 December 2004 was approximately HK\$5.4 million. Based on the aforesaid aggregate investment of HK\$35.1

LETTER FROM KIM ENG

million and the share of profits by Century Legend (Holdings) Limited for the year ended 31 December 2004 of approximately HK\$5.4 million, the price earning multiple of such investment was approximately 6.5 times.

Based on the above, we are of the view that the terms of the Option Deed are fair and reasonable and are in the interest of the Company and the Independent Shareholders as a whole.

5. Business of the Borrower

The Borrower was incorporated in Macau on 1 March 2005 and is owned as to 56% by Mr. Yeung, 24% by Mr. Chan and 20% by an Independent Third Party as at the Latest Practicable Date. The Borrower will be principally engaged in the gaming intermediaries business at the King Seiner Palace and will apply for the Gaming Intermediaries Licence (博彩中介人執照) as soon as possible under the Gaming Intermediaries Regulation of Macau.

The gaming intermediaries business to be carried out by the Borrower in Macau includes marketing and organizing gaming-related trips for introducing customers to participate in the gaming activities provided by the casino operator, being an Independent Third Party, at the King Seiner Palace and the provision of other ancillary services such as food and beverage services, accommodation and transportation arrangements for its customers.

It is stated in the letter from the Board in the Circular that the obtaining of the Gaming Intermediaries Licence (博彩中介人執照) is subject to the consents given by the casino operator at the King Seiner Palace. According to the Loan Agreement, there is no deadline for the Borrower to obtain the consent from the casino operator. We are given to understand from the Company that it is still waiting for the consents to be given by the casino operator at the King Seiner Palace as at the Latest Practicable Date and there is currently no concrete timetable as to when the Gaming Intermediaries Licence (博彩中介人執照) will be obtained by the Borrower. As the Company, through the Lender, can demand the repayment of the Loan by giving not less than 30 days' prior written notice to the Borrower pursuant to the Loan Agreement, we are of the view that the Company, up to its own decision, can recover the Loan amount on a specific date if the Borrower cannot obtain or takes a long time to obtain the consents from the casino operator at the King Seiner Palace. In the event that the Company decides to recover the Loan because the Borrower cannot obtain or takes a long time to obtain the consents from the casino operator at the King Seiner Palace, the Option Deed would not be exercised. Taking into account the above, we consider that the Loan Agreement and the Option Deed is fair and reasonable as far as the Company and the Independent Shareholders are concerned even though the Option Deed may or may not be exercised in the future.

Furthermore, we understand that the gaming intermediaries business to be undertaken by the Borrower is only in the preliminary development stage and that there is no proven track record. As such, there is no certainty as to the profitability of such gaming intermediaries business. However, we are of the view that such uncertainties are the inherent risks of the gaming intermediaries business, which at the same time has significant upside potential. We consider that the terms of the Loan Agreement and the Option Deed, in particular, the entitlement to 18% of the Profits in the event that such amount is higher than 20% of the Loan and the flexibility and right to acquire 20% of the enlarged share capital of the Borrower, depending on the business and financial performance of the Borrower, provide the Group with channels to participate in the upside potential of the gaming intermediaries business.

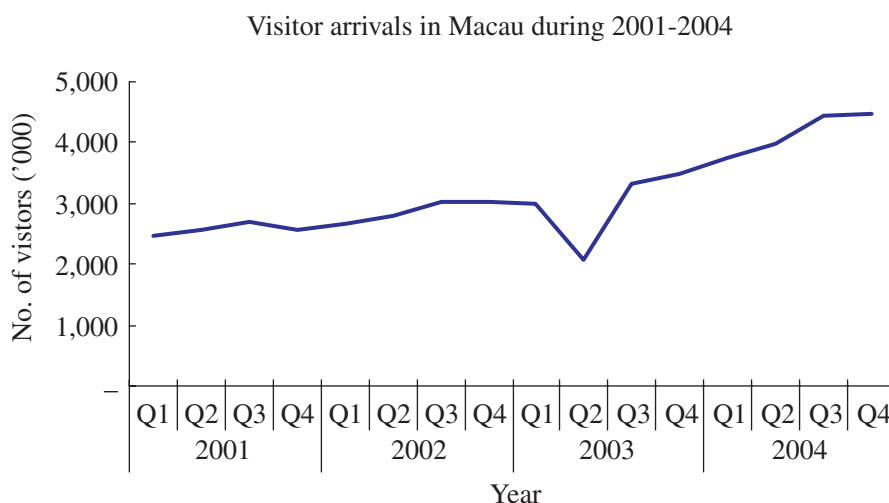
6. Operating environment of Macau

The Borrower intends to engage in gaming intermediaries business (currently expected to be businesses including but not limited to the marketing and organizing gaming related trips for introducing customers to participate in the gaming activities provided by casino operator and provision of other ancillary services such as food and beverage service, accommodation and transportation arrangements for its customers) in Macau.

Tourism is the backbone industry of Macau’s economy. The Directors expect that the tourism industry will continue to expand in the coming years due to the relaxation of the rules governing the entry of visitors from the PRC to Macau under the individual visit scheme, which started in July 2003 to allow travelers from the PRC to visit Macau on an individual basis under the individual visit scheme.

In assessing the operating environment of the Borrower, we have looked into the tourism industry in Macau in particular by visitor arrivals and hotel occupancy rates during the period from 2001 to 2004.

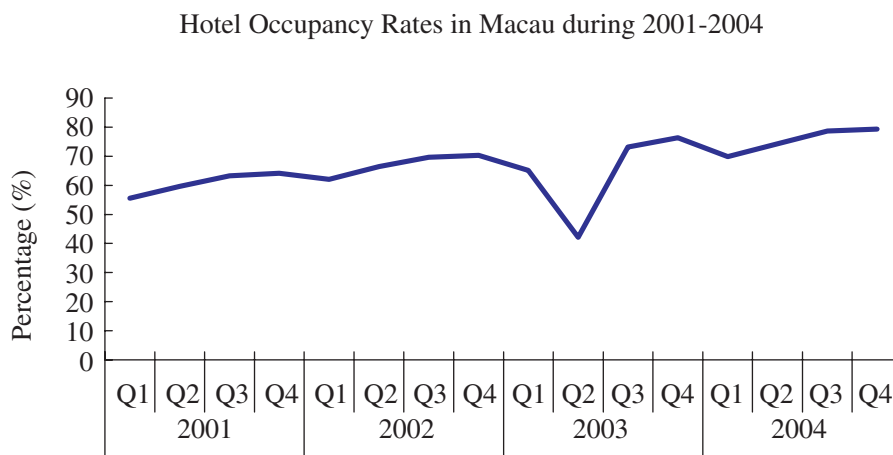
Chart 1: Visitor arrivals in Macau from 2001 to 2004



Source: Statistics and Census Service, Government of Macau Special Administrative Region

Macau’s economy has expanded by leaps and bounds since the establishment of the Macau Special Administrative Region in December 1999. As illustrated in the above Chart 1, total visitor arrivals exceeded 10 million in 2001 and surged approximately 12.2% to approximately 11.5 million 2002. Due to the impact of the outbreak of the Severe Acute Respiratory Syndrome (“SARS”) in 2003, the lowest number of arrivals of 596,628 was recorded in May 2003, which accounted for only approximately 5% of the annual total. Total visitor arrivals for the year ended 31 December 2004 recorded notable year-on-year growth of approximately 40.3% from approximately 11.9 million to approximately 16.7 million.

Chart 2: Hotel Occupancy Rates in Macau from 2001 to 2004



Source: Statistics and Census Service, Government of Macau Special Administrative Region

As illustrated in the above Chart 2, Macau’s average hotel occupancy rates increased by approximately 17.9%, from 2003 to 2004. Due to the SARS incident, the lowest occupancy rate of approximately 42% was recorded in second quarter of 2003. The total hotel occupancy rate for 2004 increased by approximately 17.7% as compared to that in 2003.

Based on the above statistics, we are of the view that the relaxation of travel restrictions in the PRC will continue to stimulate Macau’s tourism industry as well as its casino and hotels businesses, and if such policies remain unchanged, there will be good business opportunities and a favorable operating environment for Macau.

7. Effect on the financial position of the Group

(a) Working Capital

Based on the annual report of the Company for the year ended 30 September 2004, the cash and bank balance of the Group as at 30 September 2004 was about HK\$31.1 million. As stated in the announcement of the Company dated 11 November 2004, the Company had issued and allotted 317,000,000 new Shares by way of placing (“Placing”) and such net proceeds amounted to approximately HK\$370.0 million would be used as to (a) about HK\$166.5 million for the investment, development and operation of Ponte 16 project; (b) about HK\$111.0 million for other possible investment opportunities in hotel and tourist-related projects in Hong Kong and Macau; and (c) about HK\$92.5 million for general working capital for the Group. According to the Loan Agreement, the Company will grant the Loan Facility of HK\$50 million to the Borrower. Given that the Company’s cash and bank position as at 30 September 2004 and the net proceeds from the Placing which has not been utilised, in particular, the approximately HK\$92.5 million as general working capital of the Group, we are of the view that there will not be any material adverse impact on the Group’s liquidity position as a result of the performance of the terms and conditions of the Loan Agreement and the Option Deed.

(b) *Revenue*

Pursuant to the Loan Agreement, the Company will receive a guaranteed interest income of 20% on the Loan annually, subject to upward adjustment to a maximum of 18% of the Profits depending on the profitability of the Borrower. Based on the principal amount of the Loan of HK\$50 million, it is expected that the Group will earn a guaranteed annual interest income of at least HK\$10 million. We are of the view that such interest income strengthen the future earning base of the Group and accordingly, would be in the interest of the Company and the Independent Shareholders as a whole.

8. Other areas for Shareholders' attention

(a) *Regulatory restrictions*

Shareholders should also note that there is no assurance that the Company and/or the Borrower will obtain all requisite consents and approvals, if required, from the relevant regulatory authorities for pursuance of the gaming intermediaries business and therefore the Loan Agreement and the Option Deed may or may not become unconditional.

(b) *Risk of gambling business*

The four-decade monopoly of gambling industry in Macau came to an end when the Macau Government liberalized its gambling and tourism industry in 2002. Recently, about 1 to 1.2 million visitor arrivals in Macau are recorded every month. The increasing number of tourists from mainland China and the liberalization of the gambling industry attract new concessionaires in co-operation to develop Macau's gambling business and intensify competition in the gambling industry in Macau, which may or may not affect the profitability of the Group and/or the Borrower in future.

RECOMMENDATION

Having considered the above factors and reasons and in particular:

1. the Group will generate an additional stable and guaranteed stream of interest income under the Loan Agreement which amounts to 20% on the Loan amount annually, subject to upward adjustment to a maximum of 18% of the Profits depending on the profitability of the Borrower;
2. the interest income pursuant to the Loan Agreement will strengthen the future earning base of the Group;
3. the interest income of 20% per annum is significantly above the bank depositing rate;
4. the repayment of the Loan is secured by the Guarantee;
5. the Group has the flexibility to require repayment of the Loan on demand by giving not less than 30 days' prior written notice to the Borrower, if there are better investment opportunities available;

LETTER FROM KIM ENG

6. the risk factors set out in paragraph numbered 8(b) under the heading “Other areas for Shareholders’ attention” above;
7. from the Group’s perspective, the Option Deed provides the Group the right to engage in the gaming intermediaries business which is consistent with the Group’s business strategy; and
8. the exercise of the Option is in the discretion of the Company,

we are of the view that the terms and conditions of the Loan Agreement and the Option Deed are, on balance, in the interests of the Company and the Independent Shareholders as a whole and we advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favor of the resolution to be proposed at the SGM to consider and, if thought fit, approve the Loan Agreement and the Option Deed.

Yours faithfully,
For and on behalf of
Kim Eng Corporate Finance (Hong Kong) Limited
Fabian Shin
Director

1. AUDITED FINANCIAL STATEMENTS

The following is a summary of the audited pro forma combined income statement of the Group for the two years ended 30 September 2004, the audited pro forma combined balance sheet of the Group as at 30 September 2003 and 30 September 2004, the audited pro forma combined statement of changes in equity of the Group for the years ended and the audited pro forma combined cash flow statement of the Group for the two years ended 30 September 2004, together with accompanying notes extracted from the annual report of the Company for the year ended 30 September 2004:

Pro Forma Combined Income Statement

For the year ended 30 September 2004

	Notes	Continuing operations		Discontinued operations		Group	
		2004 HK\$'000	2003 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000 (Restated)
Turnover	5	61,564	–	130,392	116,838	191,956	116,838
Cost of sales		(4,541)	–	(63,548)	(79,794)	(68,089)	(79,794)
Gross profit		57,023	–	66,844	37,044	123,867	37,044
Other revenue	5	4,219	210	440	97	4,659	307
		61,242	210	67,284	37,141	128,526	37,351
Selling expenses		–	–	(55,315)	(29,756)	(55,315)	(29,756)
Administrative expenses		(41,067)	(3,758)	(7,995)	(6,825)	(49,062)	(10,583)
Other operating expenses, net		(211)	(650)	–	–	(211)	(650)
Gain on disposal of subsidiaries		10	7,984	–	–	10	7,984
Waiver of other loans	6	4,036	36,180	–	–	4,036	36,180
Gain on disposal of discontinued operations	7	–	–	2,304	–	2,304	–
Profit from operations	9	24,010	39,966	6,278	560	30,288	40,526
Finance costs	10	(299)	(4,590)	(23)	(52)	(322)	(4,642)
Profit before taxation		23,711	35,376	6,255	508	29,966	35,884
Taxation	11	–	–	(642)	(167)	(642)	(167)
Profit after taxation		23,711	35,376	5,613	341	29,324	35,717
Minority interests		(12,671)	–	(1,211)	(7)	(13,882)	(7)
Net profit from ordinary activities attributable to shareholders	29	<u>11,040</u>	<u>35,376</u>	<u>4,402</u>	<u>334</u>	<u>15,442</u>	<u>35,710</u>
Earnings per share	13						
– Basic						<u>0.98 cents</u>	<u>9.0 cents</u>
– Diluted						<u>N/A</u>	<u>N/A</u>

Pro Forma Combined Balance Sheet*At 30 September 2004*

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>14</i>	95,980	6,346
Goodwill	<i>15</i>	1,069	5,633
Investment securities	<i>17</i>	3,471	–
Deferred tax assets	<i>26</i>	–	32
		<u>100,520</u>	<u>12,011</u>
CURRENT ASSETS			
Inventories	<i>18</i>	1,214	3,797
Trade receivables	<i>19</i>	1,502	19,480
Amount due from customers for contract work	<i>20</i>	–	3
Deposits, prepayment and other receivables		2,987	1,265
Pledged bank deposits		200	–
Cash and bank balances		31,126	47,358
		<u>37,029</u>	<u>71,903</u>
CURRENT LIABILITIES			
Amount due to customers for contract work	<i>20</i>	–	(7,637)
Trade payables	<i>21</i>	(136)	(16,309)
Other payables and accruals		(6,312)	(17,756)
Tax payable		–	(305)
Current portion of finance lease payable	<i>22</i>	–	(32)
Current portion of interest-bearing bank loan	<i>23</i>	–	(99)
Other borrowings	<i>24</i>	(1,652)	(10,470)
		<u>(8,100)</u>	<u>(52,608)</u>
NET CURRENT ASSETS		<u>28,929</u>	<u>19,295</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		129,449	31,306
NON-CURRENT LIABILITIES			
Finance lease payable	<i>22</i>	–	–
Interest-bearing bank loan	<i>23</i>	–	(901)
Loans from minority shareholders	<i>25</i>	(31,536)	–
		<u>(31,536)</u>	<u>(901)</u>
MINORITY INTERESTS		<u>(11,743)</u>	<u>(1,118)</u>
NET ASSETS		<u>86,170</u>	<u>29,287</u>
CAPITAL AND RESERVES			
Issued capital	<i>27</i>	15,875	14,903
Reserves	<i>29</i>	70,295	14,384
		<u>86,170</u>	<u>29,287</u>

Pro Forma Combined Statement of Changes in Equity*For the year ended 30 September 2004*

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Shareholders' equity brought forward			
– as previously reported		29,267	(95,204)
– effect on adoption of revised SSAP 12		20	(58)
		<hr/>	<hr/>
– as restated		29,287	(95,262)
Proceeds from issue of new shares		42,039	89,994
Costs on issue of new shares	29	(598)	(1,155)
Net profit for the year	29	15,442	35,710
		<hr/>	<hr/>
Shareholders' equity carried forward		<u>86,170</u>	<u>29,287</u>

Pro Forma Combined Cash Flow Statement*For the year ended 30 September 2004*

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		203,149	115,528
Cash paid to suppliers and employees		(185,291)	(115,484)
		<hr/>	<hr/>
Cash generated from operations		17,858	44
Interest paid		(322)	(771)
Tax paid		(14)	(507)
Others		(8,979)	(510)
		<hr/>	<hr/>
Net cash generated from/(used in) operating activities		8,543	(1,744)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(96,550)	(2,770)
Payment for investment securities		(3,471)	–
Interest received		178	77
Collection of an exchange note		–	32,370
Increase in pledged bank deposits		(200)	–
Acquisition of a subsidiary	<i>30</i>	2,313	–
Disposal of subsidiaries	<i>31</i>	160	73
		<hr/>	<hr/>
Net cash (used in)/generated from investing activities		(97,570)	29,750
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of ordinary share		42,039	89,994
Cost on issue of new shares		(598)	(1,155)
Other borrowings raised		–	27,925
Capital element of finance lease rental payments		(32)	(112)
Loans from minority shareholders		31,536	–
Repayment of bank loan		(150)	(95)
Repayment of other borrowings		–	(101,979)
		<hr/>	<hr/>
Net cash generated from financing activities		72,795	14,578
(Decrease)/increase in cash and cash equivalents		(16,232)	42,584
Cash and cash equivalents at beginning of year		47,358	4,774
		<hr/>	<hr/>
Cash and cash equivalents at end of year		31,126	47,358
		<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents			
Cash and bank balances		31,126	47,358
		<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

For the year ended 30 September 2004

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. Comparative amounts have not been presented for the Company's balance sheet because the Company did not exist as at 30 September 2003.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 16 to the financial statements.

Basis of presentation

The Group Reorganisation, as further detailed in note 2 to the financial statements, involved companies which are under common control. As the Group Reorganisation 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 preparation of the Group's financial statements commencing for the year ending 30 September 2005. However, for the benefit of keeping the shareholders apprised, pro forma combined financial statements for the current year and the related notes thereto have been presented in these financial statements as if the Group Reorganisation took place during the year ended 30 September 2004 and therefore the Company is treated as the holding company of its subsidiaries for the financial years 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 or establishment, where there was a shorter period. The pro forma combined balance sheets as at 30 September 2003 and 2004 have been prepared on the basis as if the current Group structure had already been in place at these dates.

Although the Group Reorganisation was not completed prior to, 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 financial statements prepared on the aforesaid basis is necessary to apprise the Company's shareholders of the Group's results and its state of affairs as a whole.

2. GROUP REORGANISATION AND CORPORATE UPDATE

The Group had a consolidated net profit of HK\$15,442,000 (2003: HK\$35,710,000) for the year ended 30 September 2004 and as at that date, the Group had retained profits of HK\$14,869,000 (2003: accumulated losses of HK\$361,092,000), which gave rise to net assets of HK\$86,170,000 (2003: HK\$29,287,000).

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 reorganisation (the "Group Reorganisation"), pursuant to which, 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 authorised share capital of MSHK was reduced to HK\$100,000 divided into 10,000,000 shares held by the Company;
- ii) the share premium account of MSHK was reduced, cancelled and applied 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 Reorganisation, the Company became the holding company of MSHK and its subsidiaries. MSHK was then delisted from the Stock Exchange on 8 November 2004, and the Company was listed on the Stock Exchange on 9 November 2004 in its place by way of introduction.

3. PRINCIPAL ACCOUNTING POLICIES

a) Basis of Preparation

The financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in Hong Kong, and comply with the statements of standard accounting practice (“SSAP”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), the disclosure requirements of the Hong Kong Companies Ordinance and The Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange. The pro forma combined financial statements of the Group have been presented on the basis as set out in notes 1 and 2 above. They are prepared under the historical cost convention.

In the current year, the Group has adopted, for the first time, SSAP 12 (revised) “Income taxes” which is effective for accounting periods commencing on or after 1 January 2003:

SSAP 12 (revised) prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is described below:

- (i) 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;
- (ii) the disclosure of related notes are now more extensive than previously required. The disclosures are presented in notes 11 and 26 to the financial statements and include a reconciliation between the accounting profit and tax expense for the year.

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.

As detailed in note 29 to the financial statements, 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 of approximately HK\$32,000 at 30 September 2003. The profit for the year ended 30 September 2003 have been reduced by approximately HK\$78,000.

b) Basis of Combination

The pro forma combined financial statements include the financial statements of the Company and its subsidiaries made up to 30 September.

The results of the subsidiary acquired or disposed of during the year are included in the pro forma combined income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant inter-company transactions and balances within the Group are eliminated on combination.

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or negative goodwill which was not previously charged or recognised in the pro forma combined income statement.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

c) Subsidiaries

A subsidiary is a company in which the Group or the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Subsidiaries are considered to be controlled if the Group or the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a subsidiary is consolidated into the pro forma combined financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the pro forma combined balance sheet at fair value with changes in fair value recognised in the pro forma combined income statement as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the pro forma combined financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

d) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following basis:

- (i) cruise leasing income is recognised on an accrual basis in accordance with the terms of the leasing agreement.
- (ii) cruise management fee income and revenue from travel agent services is recognised when the management fee services and travel agent services are rendered.
- (iii) revenue from construction contracts is recognised using the percentage of completion method when the contracts have progressed to a stage where a profitable outcome can be prudently foreseen and is measured by reference to the production of costs incurred for work performed to the balance sheet date as compared to the estimated total costs to completion. Anticipated losses on contracts are fully provided when identified.
- (iv) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

e) Trade Receivable

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

f) Goodwill

Goodwill arising from the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising from acquisition is recognised in the pro forma combined balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 10 years.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised/has not been recognised in the pro forma combined income statement and relevant reserves, as appropriate. Any attributable goodwill previously eliminated against the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

g) Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset. Overhauling expenses to extend the useful lives of old assets are, therefore, capitalised and depreciated over the period of the extended useful lives.

Depreciation is provided to write off the cost of each asset over its estimated useful life on a straight-line basis at the following annual rates:

Leasehold land and buildings	Over lease terms
Leasehold improvements	Over lease terms
Cruise	5%
Motor vehicles	30% – 33 ¹ / ₃ %
Plant and machinery	20%
Furniture, fittings and office equipment	20% – 33 ¹ / ₃ %

The gain or loss arising from the disposal or retirement of the asset is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognised in the pro forma combined income statement.

h) Assets under Leases

(i) Finance leases

At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals.

Payments to the lessor are treated as consisting of capital and interest elements. Finance charges are debited to the income statement over the periods of the leases so as to produce an approximately constant periodic rate of charge on the remaining balances of the obligation for each accounting period.

Assets held under finance leases are depreciated over the shorter of the lease terms and their estimated useful lives on the same basis as owned assets. Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(i) to the financial statements.

(ii) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payable under such operating leases are charged to the income statement on the straight-line basis over the periods of the respective leases.

i) Impairment of Assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

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

(ii) *Reversal of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

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

j) Investment Securities

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the income statement. The impairment loss is written back to income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

k) Related Parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

l) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost include cost of purchase of materials computed using the first-in, first-out formula, and in the case of work in progress and finished goods, direct labour and an appropriate proportion of production overheads. Net realisable value is determined by reference to the sales proceeds of items sold in the ordinary course of business after the balance sheet date less the estimated costs of completion and the estimated costs necessary to make the sale.

m) Cash Equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were generally within three months of maturity when acquired. Cash equivalents also represent assets similar in nature to cash, which are not restricted as to use; and include bank overdrafts and advances from banks repayable within three months from the date of the advance.

n) Income Tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of an assets or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, and the carry forward of unused tax assets and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

o) Translation of Foreign Currencies

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

On combination, the financial statements of subsidiaries, operating in overseas are translated into Hong Kong dollars using the net investment method. The income statement of overseas subsidiaries are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange equalisation reserve.

p) Employee Benefits

(i) Retirement benefit scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. Contributions are made based on a percentage of the employee's basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in independently administrated funds. The Group's employer contributions vest fully with the employees when contributed to the Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

(ii) *Share option schemes*

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under these share option schemes is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in share premium account. Options which are cancelled prior to their exercise dates, or which lapse, are deleted from their registers of outstanding options.

q) Construction Contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from construction contracts is recognised on the percentage of completion method, measured by reference to the total cost of work certified to date to the estimated total contract cost for each contract. Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

r) Provisions and Contingent Liabilities

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

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

s) 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.

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. 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.

4. 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 results	<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	<u>(35,825)</u>	<u>(138)</u>	<u>(3,673)</u>	<u>(39,636)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,636)</u>
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	<u>96,062</u>	<u>99</u>	<u>303</u>	<u>96,464</u>	<u>86</u>	<u>-</u>	<u>86</u>	<u>96,550</u>

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 HK\$'000
	Investment holding HK\$'000	Construction services HK\$'000	Retail HK\$'000	Subtotal HK\$'000	
Segment revenue:					
Turnover	–	60,481	56,357	116,838	116,838
Other revenue	142	–	88	88	230
	<u>142</u>	<u>60,481</u>	<u>56,445</u>	<u>116,926</u>	<u>117,068</u>
Segment results	<u>39,888</u>	<u>582</u>	<u>(21)</u>	<u>561</u>	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 <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Group <i>HK\$'000</i>
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	
	South China Sea, other than in Hong Kong <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	Group <i>HK\$'000</i>
Segment revenue:					
Turnover	–	–	–	116,838	116,838
Segment results	<u>–</u>	<u>39,888</u>	<u>39,888</u>	<u>561</u>	<u>40,449</u>
Segment assets	–	50,293	50,293	33,621	83,914
Capital expenditure	<u>–</u>	<u>1,802</u>	<u>1,802</u>	<u>968</u>	<u>2,770</u>

5. TURNOVER AND OTHER REVENUE

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

	Continuing operations		Discontinued operations		Group	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)		(Restated)
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
	<u>61,564</u>	<u>-</u>	<u>130,392</u>	<u>116,838</u>	<u>191,956</u>	<u>116,838</u>
Other revenue						
Interest income	171	68	7	9	178	77
Write back of provision for bad debts	-	-	-	56	-	56
Rental income	-	-	82	-	82	-
Commission income	1	-	-	-	1	-
Waiver of promissory note	119	-	-	-	119	-
Write back of provision for litigation	2,075	-	-	-	2,075	-
Forfeiture of dividends	87	-	-	-	87	-
Write off of trade and other payables	1,766	-	-	-	1,766	-
Others	-	142	351	32	351	174
	<u>4,219</u>	<u>210</u>	<u>440</u>	<u>97</u>	<u>4,659</u>	<u>307</u>

6. WAIVER OF OTHER LOANS

On 29 June 2004, MSHK entered into a deed of assignment with a creditor whereas the creditor agreed to accept as full settlement of the outstanding balance of approximately HK\$5,736,000 by accepting payment of HK\$1,700,000 by the Group. As a result, the Group recorded a gain of approximately HK\$4,036,000.

On 25 July 2003, MSHK entered into a deed of settlement with the lenders of other loans whereas the lenders agreed to accept as full settlement of the outstanding loans of approximately HK\$56,180,000 by accepting payment of HK\$20,000,000 by MSHK. As a result, the Group recorded a gain on waiver of loans of approximately HK\$36,180,000.

7. GAIN ON DISPOSAL OF DISCONTINUED OPERATIONS

On 12 March 2004, Orient Prize Holdings Inc. ("Orient Prize"), a wholly-owned subsidiary, entered into an agreement to dispose of a 60% owned subsidiary, namely Marcello (Tax Free) International Department Store Corporation Limited ("Marcello") for a consideration of HK\$8,200,000 (the "Marcello Disposal"). The consideration of HK\$3,350,000 was settled in cash by the purchaser. The Group directed the purchaser to pay on behalf of the Group the balance of consideration of HK\$4,850,000 to a promissory note holder as full and final settlement of the outstanding promissory note of approximately HK\$4,896,000. The Marcello Disposal was completed on 29 June 2004.

On 26 March 2004, Orient Prize entered into another agreement to dispose of a wholly-owned subsidiary, namely Fine Lord Construction Company Limited (“Fine Lord”) to Mr. Chan Chung Chiu, a director of Fine Lord (“Mr. Chan”) for a consideration of HK\$5,800,000 (the “Fine Lord Disposal”). The consideration was settled by way of Mr. Chan releasing a promissory note executed by Orient Prize and MSHK dated 25 June 2002 in favour of Mr. Chan with outstanding principal and interest of approximately HK\$5,873,000. The Fine Lord Disposal was completed on 26 March 2004. The Fine Lord Disposal constituted a connected transaction, the details of which were set out in the announcement issued by MSHK on 31 March 2004.

The sales, results, cash flows and net assets of Fine Lord and Marcello were as follows:

	Marcello (Note)		Fine Lord (Note)	
	Nine months ended 30 June 2004	Year ended 30 September 2003	Period ended 26 March 2004	Year ended 30 September 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	105,345	54,299	25,047	60,481
Cost of sales	<u>(40,225)</u>	<u>(19,296)</u>	<u>(23,322)</u>	<u>(58,347)</u>
Gross profit	65,120	35,003	1,725	2,134
Other revenue	432	78	7	8
Selling and distribution expenses	(55,315)	(29,756)	–	–
Administrative expenses	<u>(6,563)</u>	<u>(4,460)</u>	<u>(1,432)</u>	<u>(1,560)</u>
Profit from operations	3,674	865	300	582
Finance costs	<u>(3)</u>	<u>(10)</u>	<u>(20)</u>	<u>(43)</u>
Profit before taxation	3,671	855	280	539
Taxation	<u>(642)</u>	<u>(162)</u>	<u>–</u>	<u>(5)</u>
Profit after taxation	3,029	693	280	534
Minority interests	<u>(1,211)</u>	<u>(277)</u>	<u>1</u>	<u>4</u>
Net profit	<u><u>1,818</u></u>	<u><u>416</u></u>	<u><u>281</u></u>	<u><u>538</u></u>

Note: Not audited by CCIF CPA Limited.

	Marcello		Fine Lord	
	Nine months ended 30 June 2004 <i>HK\$'000</i>	Year ended 30 September 2003 <i>HK\$'000</i>	Period ended 26 March 2004 <i>HK\$'000</i>	Year ended 30 September 2003 <i>HK\$'000</i>
Net operating cash inflow/(outflow)	(4,027)	884	698	1,686
Net investing cash outflow	–	(37)	(61)	(739)
Net financing cash inflow/(outflow)	2,057	(96)	(1)	25
Total net cash inflow/(outflow)	<u>(1,970)</u>	<u>751</u>	<u>636</u>	<u>972</u>
	30 June 2004 <i>HK\$'000</i>	30 September 2003 <i>HK\$'000</i>	26 March 2004 <i>HK\$'000</i>	30 September 2003 <i>HK\$'000</i>
Non-current assets	542	946	3,615	3,726
Current assets	13,489	4,875	12,434	24,069
Total assets	14,031	5,821	16,049	27,795
Total liabilities	(8,207)	(3,026)	(13,351)	(25,377)
Net assets	<u>5,824</u>	<u>2,795</u>	<u>2,698</u>	<u>2,418</u>
Net assets sold	(3,494)		(2,698)	
Goodwill	(2,171)		(3,317)	
	(5,665)		(6,015)	
Disposal consideration	8,200		5,800	
Disposal expenses	(16)		–	
Gain/(loss) on disposal of discontinued operations	<u>2,519</u>		<u>(215)</u>	
The net cash inflow on disposal is determined as follows:				
Cash proceeds from disposals	3,350		–	
Less: Cash and bank balances disposed of with the subsidiaries	(474)		(5,006)	
Bank overdraft disposed of with the subsidiaries	2,206		100	
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	<u>5,082</u>		<u>(4,906)</u>	

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

a) Directors' remuneration

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

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fee	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	749	609
Retirement benefit scheme contributions	22	11
	<u>771</u>	<u>620</u>

Other emoluments disclosed above include approximately HK\$203,000 (2003: HK\$75,000) paid to non-executive and independent non-executive directors. None of the directors have waived the right to receive their emoluments.

The remuneration of the directors falls within the following bands:

	Number of directors	
	2004	2003
HK\$		
0 – 1,000,000	<u>7</u>	<u>12</u>

b) Five highest paid employees

One of the directors was among the five highest paid employees during the year (2003: four).

The details of the remuneration of the five highest paid employees during the year, including the director, are disclosed as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,714	2,230
Retirement benefit scheme contributions	90	60
	<u>1,804</u>	<u>2,290</u>

The remuneration falls within the following bands:

	Number of individuals	
	2004	2003
HK\$		
0 – 1,000,000	<u>5</u>	<u>5</u>

9. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging/(crediting) the following:

	Continuing operations		Discontinued operations		Group	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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)	16,321	273	2,429	17,319	18,750	17,592

10. FINANCE COSTS

	Group	
	2004	2003
	HK\$'000	HK\$'000
Interest expenses on:		
Other borrowings wholly repayable within five years	299	4,590
Finance leases	3	10
Bank loans and overdraft wholly repayable within five years	20	42
	<u>322</u>	<u>4,642</u>

11. 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:

	Group	
	2004	2003
	<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:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	<u>29,966</u>	<u>35,884</u>
Calculated at a tax 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 unrecognised tax losses	1,513	222
Unrecognised temporary differences	(341)	(25)
Tax effect on utilisation of previously unrecognised tax losses	(44)	(62)
Deferred tax effect on increase 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.

12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the period ended 30 September 2004 dealt with in the financial statements of the Company amounted to approximately HK\$15,000.

13. 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 pro forma 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, and accordingly, no pro forma diluted earnings per share has been presented.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Cruise improvements HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fittings and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Group							
Cost							
At 1/10/2003	2,327	-	1,991	1,207	1,795	664	7,984
Acquisition of a subsidiary	-	-	472	829	1,296	-	2,597
Additions	-	93,600	145	1,279	1,296	230	96,550
Disposal of subsidiaries	(2,327)	-	(413)	(1,294)	(1,571)	(664)	(6,269)
At 30/9/2004	-	93,600	2,195	2,021	2,816	230	100,862
Accumulated depreciation							
At 1/10/2003	60	-	98	457	771	252	1,638
Acquisition of a subsidiary	-	-	10	25	45	-	80
Charge for the year	26	3,510	600	373	693	146	5,348
Disposal of subsidiaries	(86)	-	(14)	(574)	(1,157)	(353)	(2,184)
At 30/9/2004	-	3,510	694	281	352	45	4,882
Net book value							
At 30/9/2004	-	90,090	1,501	1,740	2,464	185	95,980
At 30/9/2003	2,267	-	1,893	750	1,024	412	6,346

At 30 September 2003, motor vehicles with net book value of approximately HK\$107,000 were held under finance leases.

The Group's leasehold land and buildings were situated in Hong Kong and held under medium term lease. At 30 September 2003, the leasehold land and buildings were pledged to secure a bank loan granted to a subsidiary.

15. GOODWILL

HK\$'000

Cost

At 1/10/2003	7,041
Acquisition of a subsidiary	1,135
Disposal of subsidiaries	(7,041)

At 30/9/2004 1,135

Accumulated amortisation

At 1/10/2003	1,408
Charge for the year	211
Disposal of subsidiaries	(1,553)

At 30/9/2004 66

Net book value

At 30/9/2004 1,069

At 30/9/2003 5,633

16. INTEREST IN SUBSIDIARIES

Particulars of the principal subsidiaries acquired by the Company pursuant to the Group Reorganisation are as follows:

Name of company	Attributable interest to the Company		Place of incorporation/ operations	Nominal value of issued share capital	Principal activities
	%	to the Group %			
Macau Success (Hong Kong) Limited (formerly known as "Macau Success Limited")	100	100	Hong Kong	HK\$100,000	Investment holding
Orient Prize Holdings Inc.	–	100	British Virgin Islands/ Hong Kong	US\$100	Investment holding
Access Success Developments Limited	–	100	British Virgin Islands	US\$1	Investment holding
Capture Success Limited*	–	55	British Virgin Islands/ South China Sea, other than in Hong Kong	US\$100	Cruise leasing
Hover Management Limited*	–	55	Hong Kong/ South China Sea, other than in Hong Kong	HK\$100	Provision of cruise management services
Macau Success Management Services Limited	–	100	Hong Kong	HK\$100	Provision of administration services
Travel Success Limited	–	100	Hong Kong	HK\$500,000	Travel agency
Top Region Assets Limited	–	100	British Virgin Islands	US\$1	Dormant
Precise Innovation Limited	–	100	British Virgin Islands	US\$1	Dormant
Golden Sun Profits Limited	–	100	British Virgin Islands	US\$1	Dormant
World Fortune Limited	–	100	Hong Kong	HK\$100	Investment holding
Ace Horizon Limited	–	100	British Virgin Islands	US\$1	Dormant

* Not audited by CCIF CPA Limited

17. INVESTMENT SECURITIES

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	971	–
Due from the investee company	2,500	–
	<u>3,471</u>	<u>–</u>

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

On 13 January 2004, a wholly-owned subsidiary, namely World Fortune Limited (“World Fortune”) subscribed 10% shares of a company incorporated in Macau, namely Pier 16 – Property Development Limited (“Pier 16 – Property Development”) for a consideration of MOP\$1,000,000 (equivalent to approximately HK\$971,000).

On 5 November 2004, World Fortune acquired an additional 14.5% issued share capital of Pier 16 – Property Development at a consideration of MOP\$1,450,000 (equivalent to approximately HK\$1,408,000). Upon completion of the acquisition, Pier 16 – Property Development became an associate of the Group.

18. INVENTORIES

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fuel oil	1,214	–
Merchandised goods	–	3,797
	<u>1,214</u>	<u>3,797</u>

There is no inventory stated at net realisable value.

19. TRADE RECEIVABLES

The Group normally allows a credit period of 30 days (2003: 60 days). An analysis of trade receivables is as follows:

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 30 days	1,454	8,464
31 to 60 days	45	3,936
61 to 90 days	2	1,748
Over 90 days	1	–
Retention receivable	–	5,332
	<u>1,502</u>	<u>19,480</u>

20. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2004	Group
	<i>HK\$'000</i>	2003
		<i>HK\$'000</i>
Contract costs incurred plus attributable profits	-	33,349
Less: Progress billings	-	(40,983)
	<u>-</u>	<u>(7,634)</u>
	<u><u>-</u></u>	<u><u>(7,634)</u></u>
Representing:		
Amounts due from contract customers	-	3
Amounts due to contract customers	-	(7,637)
	<u>-</u>	<u>(7,634)</u>
	<u><u>-</u></u>	<u><u>(7,634)</u></u>

At 30 September 2003, retention receivable for contracts in progress amounting to approximately HK\$5,332,000 has been included in trade receivables.

21. TRADE PAYABLES

An aged analysis of trade payables is as follows:

	2004	Group
	<i>HK\$'000</i>	2003
		<i>HK\$'000</i>
Current to 30 days	136	6,514
31 – 60 days	-	1,517
61 – 90 days	-	-
Over 90 days	-	5,526
Retention payable	-	2,752
	<u>136</u>	<u>16,309</u>
	<u><u>136</u></u>	<u><u>16,309</u></u>

22. FINANCE LEASE PAYABLE

	Group			
	2004		2003	
	Minimum lease payments <i>HK\$'000</i>	Present value of minimum lease payments <i>HK\$'000</i>	Minimum lease payments <i>HK\$'000</i>	Present value of minimum lease payments <i>HK\$'000</i>
Within one year	–	–	35	32
After one year but within two years	–	–	–	–
	–	–	35	32
Future finance charges on finance leases	–	–	(3)	–
Present value of finance lease obligations	<u>–</u>	<u>–</u>	<u>32</u>	<u>32</u>

23. INTEREST-BEARING BANK LOAN

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Secured bank loan repayable		
Within one year or on demand	–	99
In the second year	–	103
In the third to fifth years, inclusive	–	333
After fifth year	–	465
	–	1,000
Portion classified as current liabilities	<u>–</u>	<u>(99)</u>
Non-current portion	<u>–</u>	<u>901</u>

24. OTHER BORROWINGS

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Promissory notes		
Repayable within one year	–	10,470
Other loan		
Repayable within one year	<u>1,652</u>	<u>–</u>
	<u>1,652</u>	<u>10,470</u>

The promissory notes were unsecured, bearing interest at 5% per annum and repayable in June 2004. The other loan was unsecured, bearing interest at 2% per annum and repayable in September 2005.

25. LOANS FROM MINORITY SHAREHOLDERS

The loans are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, the loans will not be repaid within the next twelve months.

26. DEFERRED TAX ASSETS/LIABILITIES**(a) Recognised deferred tax (assets)/liabilities**

Deferred taxation is calculated in full on temporary differences under the liability method using a tax rate of 17.5% (2003: 17.5%). The movement of deferred tax (assets)/liabilities during the year is as follows:

	Accelerated depreciation allowance	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year	(32)	97
Charged to the pro forma combined income statement	(39)	(129)
Disposal of a subsidiary	71	–
	<u> </u>	<u> </u>
At end of the year	<u> </u> <u> </u>	<u> </u> <u> </u>

(b) Unrecognised deferred tax assets

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through utilisation against future taxable profits is probable. At 30 September 2004, the Group has tax losses of approximately HK\$46 million (2003: HK\$38 million) that are available to carry forward indefinitely for offsetting against future taxable profits.

27. ISSUED CAPITAL

	2004
	<i>HK\$'000</i>
Authorised:	
10,000,000 ordinary shares of HK\$0.01 each	<u> </u> <u> </u>
Issued and nil paid:	
10,000,000 ordinary shares of HK\$0.01 each	<u> </u> <u> </u>

The change in the Company authorised and issued share capital which took place during the period from 27 May 2004 (date of incorporation) to 8 November 2004, are as follows:

- a. On incorporation, the authorised share capital of the Company was HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each, all of which were issued and allotted nil paid on 18 June 2004.
- b. On 8 November 2004, the authorised share capital of the Company was increased from HK\$100,000 to HK\$1,600,000,000 by the creation of a further 159,990,000,000 shares of HK\$0.01 each, ranking pari passu with the existing share capital of the Company.

- c. On 8 November 2004, as part of the Group Reorganisation described in note 2 to the financial statements, the Company issued an aggregate of 1,577,464,233 shares of HK\$0.01 each, credited as fully paid and transfer of 10,000,000 shares of HK\$0.01 each, also credited as fully-paid by MSHK to shareholder of MSHK in consideration for the cancellation of the shares of MSHK.

For the purpose of the preparation of the pro forma combined financial statements of the Group, these shares are deemed to have been in issue since 1 October 2002 and as if the current Group structure had been in existence since that date. Accordingly, the share capital as at 30 September 2004 and 2003 presented in the pro forma combined balance sheet of the Group represents the issued share capital of the Company after the issue of shares above.

	Number of shares authorised	Number of shares issued	Par value of issued share capital <i>HK\$'000</i>
Share issued on incorporation	–	–	–
On 18 June 2004	10,000,000	10,000,000	100
On 8 November 2004	159,990,000,000	–	–
Share issued as consideration for the acquisition of MSHK	–	1,577,464,233	15,775
	<u>160,000,000,000</u>	<u>1,587,464,233</u>	<u>15,875</u>

28. SHARE OPTION SCHEME

a) New Scheme

On 20 August 2004, the Company adopted a share option scheme (the “New 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 New Scheme include the Company’s directors and other employees of the Group. The New Scheme became effective on 8 November 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Under the New Scheme, the directors of the Company are authorised at their absolute discretion, to invite any employee, executive or officer of any member of the Group or any entity in which the Group holds any equity interest (including the executive and non-executive directors) and any vendor, supplier, consultant, agent, adviser or customer who is eligible to participate in the New Scheme, to take up options to subscribe for shares in the Company.

The maximum number of shares which may be issued upon exercise of all options to be granted under the New 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 New Scheme.

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

Notwithstanding aforesaid in this paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not exceed 30 per cent. of the total number of shares in issue from time to time.

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

The exercise price in respect of any particular option shall be such price as determined by the board in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be less than the highest of (i) the official closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the offer date; (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 (5) trading days immediately preceding the offer date; and (iii) the nominal value of a share.

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

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

b) Old Scheme

MSHK operates a share option scheme (the “Old 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 Old Scheme include MSHK’s directors and other employees of the Group. The Old Scheme became effective on 7 March 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Under the Old Scheme, the directors of MSHK are authorised at their absolute discretion, to invite employee, including any director of MSHK or any of its subsidiaries, to take up options to subscribe for shares in MSHK.

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

MSHK may seek approval of the shareholders in general meeting for refreshing the 10 per cent. limit under the Old Scheme save that the total number of shares which may be issued upon exercise of all options to be granted under the Old Scheme and any other share option schemes of MSHK 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 Old Scheme or any other share option schemes of MSHK (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Old Scheme or any other share option schemes of MSHK) will not be counted for the purpose of calculating the limit as “refreshed”.

Notwithstanding aforesaid in this paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Old Scheme and any other share option schemes of MSHK 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 subscription price in respect of any particular option shall be such price as determined by the board in its absolute discretion at the time of the making of the offer but in any case the subscription price shall not be lower than the highest of (i) the closing price of the shares as stated in the Exchange's daily quotations sheet on the offer date, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock's daily quotations sheets for the five (5) trading days immediately preceding the offer date; and (iii) the nominal value of a share.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a considerations of HK\$1 by the grantee. The exercise period of the share options granted is determined by the board of directors, save that such period shall not be more than a period of ten years from the date of offer.

On 27 September 2004, MSHK resolved to terminate the Old Scheme. No share options had been granted under the Old Scheme since its adoption.

29. RESERVES

Group

	Share premium HK\$'000	Distributable reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits/ losses (accumulated) HK\$'000	Total HK\$'000
At 1 October 2002						
– as previously reported	299,073	–	(6,819)	976	(991,510)	(698,280)
– effect on adoption of revised SSAP 12	–	–	–	–	(58)	(58)
– Unamortised goodwill reclassified as intangible assets	–	–	6,819	–	–	6,819
– as restated	299,073	–	–	976	(991,568)	(691,519)
Capital reduction	–	–	–	–	594,766	594,766
Subscription of new shares	59,566	–	–	–	–	59,566
Placing of new shares	17,016	–	–	–	–	17,016
Share issuance cost	(1,155)	–	–	–	–	(1,155)
Net profit for the year	–	–	–	–	35,710	35,710
At 30 September 2003	<u>374,500</u>	<u>–</u>	<u>–</u>	<u>976</u>	<u>(361,092)</u>	<u>14,384</u>
At 1 October 2003						
– as previously reported	374,500	–	–	976	(361,112)	14,364
– effect on adoption of revised SSAP 12	–	–	–	–	20	20
– as restated	374,500	–	–	976	(361,092)	14,384
Placing of new shares	41,067	–	–	–	–	41,067
Share issuance costs	(598)	–	–	–	–	(598)
Transfer pursuant to the Group Reorganisation	(414,969)	54,450	–	–	360,519	–
Net profit for the year	–	–	–	–	15,442	15,442
At 30 September 2004	<u>–</u>	<u>54,450</u>	<u>–</u>	<u>976</u>	<u>14,869</u>	<u>70,295</u>

Company	Accumulated losses HK\$'000
At 27 May 2004 (date of incorporation)	–
Net loss for the period	(15)
	<u> </u>
At 30 September 2004	(15)
	<u><u> </u></u>

30. ACQUISITION OF A SUBSIDIARY

	2004 HK\$'000	2003 HK\$'000
Net liabilities acquired:		
Fixed assets	2,517	–
Inventories	554	–
Debtors, deposits and prepayments	1,075	–
Cash and bank balances	2,775	–
Creditors and accrued charges	(8,522)	–
Bank overdraft	(462)	–
	<u> </u>	<u> </u>
	(2,063)	–
Minority interest	928	–
	<u> </u>	<u> </u>
	(1,135)	–
Goodwill on acquisition	1,135	–
	<u> </u>	<u> </u>
Consideration	–	–
	<u><u> </u></u>	<u><u> </u></u>
Satisfied by:		
Cash consideration of HK\$1	–	–
	<u><u> </u></u>	<u><u> </u></u>
Cash flow on acquisition net of cash acquired:		
Cash and bank balances acquired	2,313	–
Cash consideration of HK\$1 paid	–	–
	<u> </u>	<u> </u>
	2,313	–
	<u><u> </u></u>	<u><u> </u></u>

31. DISPOSAL OF SUBSIDIARIES

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Net assets/(liabilities) disposed of:		
Fixed assets	4,085	1,078
Deferred tax assets	71	–
Short-term investments	–	230
Inventory and work in progress	8,526	214
Debtors, deposits and prepayments	11,917	154
Cash and bank balances	5,480	46
Goodwill	5,488	535
Creditors and accruals	(17,440)	(9,016)
Bank overdraft	(2,306)	(119)
Bank loan	(850)	–
Minority interests	(2,329)	(116)
Tax payable	(972)	–
	<u>11,670</u>	<u>(6,994)</u>
Cost in relation to the disposals	16	–
	<u>11,686</u>	<u>(6,994)</u>
Gain on disposal of subsidiaries	2,314	7,984
	<u><u>14,000</u></u>	<u><u>990</u></u>
Satisfied by:		
Partial settlement of promissory note payable	10,650	990
Cash consideration	3,350	–
	<u><u>14,000</u></u>	<u><u>990</u></u>
Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:		
Cash and bank balances disposed of with the subsidiaries	(5,480)	(46)
Bank overdraft disposed of with the subsidiaries	2,306	119
Cash consideration received	3,350	–
Cost on disposal of subsidiaries	(16)	–
	<u>160</u>	<u>73</u>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u><u>160</u></u>	<u><u>73</u></u>

The subsidiaries disposed of during the year contributed approximately HK\$130,392,000 (2003: approximately HK\$2,058,000) to the Group's turnover and profit after tax of approximately HK\$4,983,000 (2003: loss of approximately HK\$886,000) to the Group for the year.

32. COMMITMENTS

(a) Capital commitments

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised but not contracted for	<u>180</u>	<u>-</u>

(b) Operating lease commitments

At the balance sheet date, the Group had the following commitments for future lease payments under non-cancellable operating leases which fall due as follows:

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	925	1,199
In the second to fifth years, inclusive	<u>831</u>	<u>1,417</u>
	<u>1,756</u>	<u>2,616</u>

33. RELATED PARTY TRANSACTIONS

On 26 March 2004, a wholly owned subsidiary, Orient Prize entered into an agreement to dispose of a wholly owned subsidiary namely Fine Lord Construction Company Limited ("Fine Lord") at a consideration of HK\$5,800,000. The purchaser, Mr. Chan Chung Chiu ("Mr. Chan"), is a director of Fine Lord. Therefore, the transaction constituted a connected transaction. The consideration was arrived at after arm's length negotiations between the Group and Mr. Chan. The consideration was satisfied by way of Mr. Chan releasing a promissory note executed by Orient Prize and MSHK dated 25 June 2002 in favour of Mr. Chan with outstanding principal and interest of approximately HK\$5,873,000. The disposal was completed on 26 March 2004. Details of the disposal were set out in an announcement of MSHK dated 31 March 2004.

34. POST BALANCE SHEET EVENTS

a) Group Reorganisation

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) simultaneous with each other:
 - the entire issued share capital of MSHK was reduced by cancelling and extinguishing all the 1,587,464,233 shares in issue (the "Scheme Shares");
 - MSHK applied part of the credit arising as a result of the capital reduction 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 authorised share capital of MSHK was reduced to HK\$100,000 divided into 10,000,000 shares held by the Company;
 - ii) the share premium account of MSHK was reduced, cancelled and applied 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.
- b) Acquisition of additional 14.5% equity interest in Pier 16 – Property Development Ltd.**

Pursuant to an extraordinary general meeting of Pier 16 – Property Development Limited (“Pier 16 – Property Development”) held on 5 November 2004, SJM-Investmentos Limitada (“SJM-Investmentos”), the major shareholder of Pier 16 – Property Development, agreed to transfer 14.5% equity interests in Pier 16 – Property Development to the Group at a consideration of MOP1,450,000 (or equivalent to approximately HK\$1.4 million). Following the transfer, the Group increased its shareholding in Pier 16 – Property Development from 10% to 24.5% such that Pier 16 – Property Development became an associate of the Group.

In addition, the Group is required to provide shareholder’s loans to Pier 16 – Property Development in proportion to its equity interest in Pier 16 – Property Development for the development of a theme park “Ponte 16”, details of which are set out in a circular of the Company dated 26 November 2004.

c) Subscription of new shares

On 10 November 2004, the Company entered into a top-up subscription agreement (the “Subscription Agreement”) with its major shareholder. Pursuant to the Subscription Agreement, the major shareholder agreed to subscribe 317,000,000 new shares of the Company of HK\$0.01 each at HK\$1.28 per share. On 23 November 2004, the Company issued and allotted 317,000,000 new shares for a total consideration of HK\$405,760,000, before expenses, to the major shareholder.

35. LITIGATION

In April 2004, MSHK paid US\$375,000 to Guido Giacometti, a trustee of the estate of Mr. Sukarman Sukamto (“Mr. Sukamto”), a former director and substantial shareholder of MSHK, to settle the proceedings against MSHK in the U.S. Bankruptcy Court in the District of Hawaii claiming against MSHK, among other things, the sum of US\$594,027 (of which US\$500,000 being partial refund of the deposit and US\$94,027 being interest accrued upon), together with attorney’s fees and costs. A provision of HK\$5,000,000 was made in prior years, as such, the overprovision of approximately HK\$2,075,000 was reversed and included in other revenue during the year.

2. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 September 2004, the date to which the latest audited financial statements of the Company were made up.

3. INDEBTEDNESS**Borrowings**

As at the close of business on 28 February 2005, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, apart from intra-group liabilities, no member of the Group had any outstanding borrowings.

Guarantees

As at 28 February 2005, the Group has pledged time deposits of approximately HK\$575,000 and issued a letter of guarantee of approximately HK\$133,000 to certain banks for bank guarantees of approximately HK\$685,000 issued in favour of the Independent Third Parties as for operations of the Group.

Disclaimer

Save as aforesaid, the Group did not, as at 28 February 2005, 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 28 February 2005.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

During and subsequent to the financial year of 2004 under review, the Group has re-defined the scope of its core business and has successfully 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.

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

The Group's cruise 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 refurbished recently 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.

Furthermore, the Directors consider that the gaming industry is a leading industry and the 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 in Macau, the Group had 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 develop and strengthen tourists-related businesses including hotels and casinos in Macau. With the strong financial position of the Group and the experience of management in entertainment operations, the Board is confident of seizing any upcoming opportunities and believes that this strategy will reward its long-term investors.

5. WORKING CAPITAL

The Directors are of the opinion that after taking into account the available banking facilities and internal resources of the Group, the Group has sufficient working capital for its present requirements.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors 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. DISCLOSURE OF INTERESTS

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

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

Interests in the Shares

Name	Long position/ Short position	Nature of interest of	Number Shares	Approximate percentage of shareholding
Mr. Yeung (Note 1)	Long position	Corporate interest	722,632,802	37.94%
Mr. Chan William (Note 2)	Long position	Corporate interest	309,608,630	16.26%

Notes: 1. Mr. Yeung is deemed to have corporate interest in 722,632,802 Shares by virtue of the interest of the Shares held by Silver Rich Macau Development Limited (“Silver Rich”), which is wholly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Yeung.

2. Mr. Chan William is deemed to have corporate interest in 309,608,630 Shares by virtue of his interest in the entire issued share capital of Spring Wise Investments Limited (“Spring Wise”).

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 (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:–

Interests in the Shares

Name of Shareholder	Long position/ Short position	Nature of interest	Number of Shares held	Approximate percentage of shareholding
Silver Rich	Long position	Corporate interest	722,632,802	37.94%
Spring Wise	Long position	Corporate interest	309,608,630	16.26%
Mr. Chan (Note 1)	Long position	Corporate interest	309,608,630	16.26%
Penta Investment Advisers Ltd (Note 2)	Long Position	Corporate interest	117,308,000	6.15%
Zwaanstra John (Note 2)	Long Position	Corporate interest	117,308,000	6.15%
Moore Michael William (Note 2)	Long Position	Corporate interest	117,308,000	6.15%

Notes:

- Mr. Chan is deemed to have corporate interest in 309,608,630 Shares by virtue of his interest in the issued share capital of Spring Wise.
- Mr. Zwaanstra John and Mr. Moore Michael William are deemed to have corporate interest in 117,308,000 Shares by virtue of their interests in the issued share capital of Penta Investment Advisers Ltd.

Long positions in other members of the Group

Name of subsidiaries of the Company	Name of substantial Shareholders	Number of shares	Approximate percentage of the total issued share capital of the subsidiaries of the Company
Capture Success Limited	Summit Global International Limited	30	30%
Capture Success Limited	Mantovana Holdings Limited	15	15%
Pier 16-Property Development Limited	SJM-Investmentos Limited	51,000	51%
Pier 16-Property Development Limited	Joy Idea Investments Limited	24,500	24.5%

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, no other person had, or was deemed or taken to have an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. EXPERTS

The following is the qualification of the experts who has been named in this circular or has given opinions or advice which are contained in this circular:

Name	Qualification
Kim Eng	Licensed corporation to carry out type 6 regulated activity (as defined in the SFO)

Kim Eng has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context it appears.

As at the Latest Practicable Date, Kim Eng was not beneficially interested in the share capital of any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group or any interest, either direct or indirect, in any assets which have been, since 30 September 2004, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates are considered to have interests (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder) in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

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

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

- (a) the chairman of such meeting; or
- (b) at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

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

In compliance with the Listing Rules, the Company will procure the chairman of the SGM to demand a poll for the resolution to be proposed at the SGM.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

7. MATERIAL CONTRACTS

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

- (1) a sale and purchase agreement dated 17 April 2003 entered into between Macau Success (Hong Kong) Limited (formerly known as Macau Success Limited (“MSHK”), the former holding company of the Group), Orient Prize Holdings Inc. (“Orient Prize”), a wholly-owned subsidiary of MSHK as vendor and Mr. Hu Hai Lin as purchaser in respect of the sale and purchase of the entire issued capital of Marcello Foods Limited upon the terms and conditions therein contained;
- (2) the placing agreement dated 20 May 2003 entered into between MSHK and Tai Fook Securities Company Limited in relation to the placing of 298,000,000 new shares of MSHK at HK\$0.0671 per share as supplemented by a supplemental agreement dated 10 June 2003 made between the parties thereto;
- (3) the subscription agreement dated 20 May 2003 entered into between MSHK and Silver Rich, Spring Wise and Leader Assets Limited in relation to the subscription of an aggregate of 1,043,200,000 new shares of MSHK at HK\$0.0671 per share as supplemented by a supplemental agreement dated 10 June 2003 made between the parties thereto;
- (4) the placing agreement dated 3 November 2003 entered into between MSHK and Tai Fook Securities Company Limited in relation to the placing of 97,200,000 new shares of MSHK at HK\$0.4325 per share as supplemented by a supplemental agreement dated 17 November 2003 made between the parties thereto;
- (5) a conditional sale and purchase agreement dated 9 December 2003 entered into between Kong Wing Limited, as vendor and Access Success Developments Limited, Summit Global International Limited and Mantovana Holdings Limited as purchasers in respect of the sale and purchase of the cruise ship now known as MV Macau Success and certain inventories upon the terms and conditions therein contained;
- (6) a sale and purchase agreement dated 10 March 2004 entered into between Capture Success Limited, a 55% owned subsidiary of the Company, as purchaser and Hover Management Limited, a company incorporated in the British Virgin Islands, as vendor in respect of the sale and purchase of the entire issued capital of Hover Management Limited, a company incorporated in Hong Kong, upon the terms and conditions therein contained;

- (7) a sale and purchase agreement dated 12 March 2004 entered into between Orient Prize as vendor and China Age Investments Limited 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;
- (8) a sale and purchase agreement dated 26 March 2004 entered into between Orient Prize and Mr. Chan Chung Chiu in respect of the sale and purchase of the entire equity interest in Fine Lord Construction Company Limited upon the terms and conditions therein contained;
- (9) a subscription agreement dated 10 November 2004 entered into between the Company and Silver Rich in relation to the subscription of 317,000,000 new Shares at HK\$1.28 per Share;
- (10) the Loan Agreement; and
- (11) the Option Deed.

9. MISCELLANEOUS

- (a) There is no existing or proposed service contract between any of the Directors and the Company or any of its subsidiaries other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).
- (b) Save as disclosed herein, there were no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant in relation to the business of the Group.
- (c) None of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries since 30 September 2004, the date to which the latest published audited consolidated financial statements of the Group were made up.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (e) The secretary of the Company is Ms. Chiu Nam Ying, Agnes, a qualified solicitor. The qualified accountant of the Company is Mr. Luk Sai Wai, Simon, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (f) The English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at the head office and principal place of business of the Company in Hong Kong at Units 1002-05A, 10th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the SGM and at the SGM:

- (a) the memorandum and bye-laws of the Company;
- (b) the annual reports of the Company for the two years ended 30 September 2004;
- (c) the letter of advice from Kim Eng to the Independent Board Committee and the Independent Shareholders dated 7 April 2005, the text of which is set out on pages 14 to 24 of this circular;
- (d) the letter from the Independent Board Committee to the Independent Shareholders dated 7 April 2005, the text of which is set out on page 13 of this circular;
- (e) the material contracts referred to in the paragraph headed “Material contracts” in this appendix, including the Loan Agreement and the Option Deed;
- (f) the Guarantee;
- (g) the written consent referred to in the paragraph headed “Experts” in this appendix; and
- (h) the circular of the Company dated 26 November 2004.

NOTICE OF THE SGM



MACAU SUCCESS LIMITED

澳門實德有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 487)

NOTICE IS HEREBY GIVEN that a special general meeting of the members of Macau Success Limited (the “Company”) will be held at Conrad Hong Kong, Kennedy Room, Level 7, Pacific Place, 88 Queensway, Hong Kong on Monday, 25 April 2005 at 2:30 p.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as ordinary resolution of the Company.

ORDINARY RESOLUTION

“**THAT:**–

- (a) the conditional loan agreement dated 7 March 2005 (the “Loan Agreement”) entered into between Joyspirit Investments Limited (the “Lender”), an indirect wholly-owned subsidiary of the Company, as lender and King Seiner Palace Promotor De Jogos, Limitada (the “Borrower”) as borrower, a copy of which has been produced at the meeting marked “A” and signed by the chairman of the meeting for identification, whereby the Lender has agreed to grant a loan facility of HK\$50 million to the Borrower upon the terms and subject to the conditions therein contained, be and is hereby approved, confirmed and ratified and that the transactions contemplated thereunder be and are hereby approved;
- (b) the conditional deed of option dated 7 March 2005 (the “Option Deed”) entered into between the Borrower as grantor and the Lender as grantee, a copy of which has been produced at the meeting marked “B” and signed by the chairman of the meeting for identification, whereby the Borrower has agreed to grant to the Lender an option to require the Borrower to allot and issue to the Lender 20% of the enlarged share capital of the Borrower as at the date of completion of such allotment and issue upon the terms and subject to the conditions therein contained, be and is hereby approved, confirmed and ratified and that the transactions contemplated thereunder be and are hereby approved; and

* *For identification purpose only*

NOTICE OF THE SGM

- (c) the directors of the Company be and are hereby authorised to do such acts and execute such documents as they may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Loan Agreement and the Option Deed.”

By Order of the Board of
Macau Success Limited
Agnes N. Y. Chiu
Company Secretary

Hong Kong, 7 April 2005

*Head office and principal place of
business in Hong Kong:*
Units 1002-05A, 10th Floor
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

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

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxy(ies) to attend and, in the event of a poll, vote in his/her stead. A proxy need not be a member of the Company.
2. A form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon.
3. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the office of the Company's branch share registrar in Hong Kong, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting.
4. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting or on the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint holders of any share of the Company, any one of such holders may vote at the meeting either personally or by proxy in respect of such share as if he/she were solely entitled thereto, but if more than one of such holders be present at the meeting personally or by proxy, then the one of such holders whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.



MACAU SUCCESS LIMITED

澳門實德有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 487)

FORM OF PROXY FOR SPECIAL GENERAL MEETING

I/we ¹ _____ (name)
of ¹ _____ (address)
being the registered holder(s) of ² _____
shares of HK\$0.01 each in the capital of Macau Success Limited (the "Company") hereby appoint³ the Chairman of
the Meeting or _____ (name)
of _____ (address)
as my/our proxy to attend and vote for me/us on my/our behalf at the Special General Meeting of the Company to be
held at Conrad Hong Kong, Kennedy Room, Level 7, Pacific Place, 88 Queensway, Hong Kong on Monday, 25 April
2005, at 2:30 p.m. and at any adjournment thereof on the undermentioned ordinary resolution as indicated:

	FOR ⁴	AGAINST ⁴
To approve the ordinary resolution as set out in the Notice of the Special General Meeting dated 7 April 2005		

Dated this _____ day of _____ 2005. Signature(s)⁵: _____

Notes:

1. Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**. Only one of joint holders needs to sign (but see note 8 below).
2. Please insert the number of shares of the Company to which this form of proxy relates. If no number is inserted, this form of proxy will be deemed to relate to all the shares of the Company registered in your name(s).
3. If any proxy other than the Chairman is preferred, strike out "the Chairman of the Meeting or" herein inserted and insert the name and address of the proxy desired in the space provided. **ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALED BY THE PERSON WHO SIGNS IT.**
4. **IMPORTANT: IF YOU WISH TO VOTE FOR THE ORDINARY RESOLUTION, PLEASE TICK APPROPRIATE BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST THE ORDINARY RESOLUTION, PLEASE TICK APPROPRIATE BOX MARKED "AGAINST".** Failure to complete the box will entitle your proxy to cast his/her votes at his/her discretion.
5. This form of proxy must be signed by you or your attorney duly authorised in writing or, if you are a corporation, must either be executed under seal or under the hand of an officer, attorney or other person duly authorised.
6. A member entitled to attend and vote at the Special General Meeting is entitled to appoint one or more proxy(ies) to attend and, on poll, vote on his behalf. A proxy need not be a member of the Company.
7. To be valid, this form of proxy, together with any power of attorney or other authority (if any) under which it is signed or notarially certified copy of such power or authority, must be deposited at the office of the Company's branch share registrar in Hong Kong, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time fixed for the Special General Meeting or any adjournment thereof.
8. Where there are joint holders of any share of the Company, any one of such persons may vote at the Special General Meeting either personally, or by proxy, in respect of such share of the Company as if he/she were solely entitled thereof, and if more than one of such joint holders be present at the Special General Meeting personally or by proxy that one of the said persons so present whose name stands first on the register of members of the Company shall alone be entitled to vote.
9. Completion and deposit of this form of proxy will not preclude you from attending and voting at the Special General Meeting if you so wish. If you attend and vote at the Special General Meeting, the authority of your proxy will be revoked.
10. The Notice of the Special General Meeting dated 7 April 2005 is set out in the Company's circular dated 7 April 2005 sent to shareholders of the Company.

* For identification purpose only