

FIRST QUARTERLY
REPORT **2007**



LONG SUCCESS INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability) Stock Code : 8017

Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Exchange. GEM listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Exchange takes no responsibility for the contents of this report, 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 report.

This report, for which the directors of Long Success International (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover from the continuing operations and discontinued operation of the Group for the three months ended 30 June 2007 was approximately HK\$7,788,000 as compared to approximately HK\$13,362,000 for the corresponding period in 2006.
- Profit attributable to shareholders for the three months ended 30 June 2007 was approximately HK\$47,000 as compared to approximately HK\$1,753,000 for the corresponding period in 2006.
- Earning per share from the continuing operations and discontinued operation of the Group was HK0.02 cents for the three months ended 30 June 2007 as compared to HK0.69 cents for the corresponding period in 2006.

The unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 30 June 2007 together with the comparatives for the corresponding period in 2006 are as follows:

UNAUDITED CONSOLIDATED RESULTS

	Note	Three months ended 30 June	
		2007 HK\$'000	2006 HK\$'000
Continuing operations			
Revenue	2	7,788	5,461
Other income		24	14
Raw materials and consumables used		(2,399)	(1,385)
Staff costs		(3,530)	(3,296)
Depreciation on property, plant and equipments		(45)	(65)
Other expenses		(1,096)	(1,077)
Finance costs		(139)	(7)
Profit/(Loss) before tax		603	(355)
Income tax expense	3	-	(287)
Profit/(Loss) for the period from continuing operations		603	(642)
Discontinued operation			
Profit for the period from discontinued operation		-	2,395
Profit for the period		603	1,753
Attributable to:			
Equity holders of the parent		47	1,753
Minority interests		556	-
		603	1,753
Earnings/(Loss) per share			
For continuing and discontinued operations			
Basic (HK cents per share)	4	0.02	0.69
Diluted (HK cents per share)		N/A	N/A
For continuing operation			
Basic (HK cents per share)		0.02	(0.25)
Diluted (HK cents per share)		N/A	N/A

NOTES:

1 Basis of preparation

The Group's unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Companies Ordinances of Hong Kong and the GEM Listing Rules.

The unaudited consolidated results have been reviewed by the audit committee. The composition of the audit committee is discussed in subsequent section.

2 Revenue

An analysis of the Group's revenue is as follows:

	Three months ended	
	30 June	
	2007	2006
	HK\$'000	HK\$'000
Continuing operations		
Development of customised software and sales of related computer equipment	5,256	4,299
Provision of technical support and maintenance services	677	1,162
Profits assigned from a junket representative of a VIP lounge of a casino in Macau	1,855	-
	7,788	5,461
Discontinued operation		
Income from marketing, rolling and settlement services for a VIP lounge of a casino in Macau	-	7,901
	7,788	13,362

3 Income tax expense

No provision for Hong Kong profits tax has been made in the accounts as the Group could utilize the tax loss carried forward for the assessable profit arising in Hong Kong for the three months ended 30 June 2007. No provision for enterprise income tax in the PRC has been made as all PRC subsidiaries were in a loss position during the three months ended 30 June 2007.

Overseas taxes on profits assessable of the Group if any, are calculated at the rates of tax prevailing in the respective jurisdictions in which they operate, bases on the prevailing legislation, interpretations and practices in respect thereof.

4 Earnings/(Loss) per share

For continuing and discontinued operations

The calculation of the basic earning per share attributable to ordinary equity holders of the parent is based on the Group's profit attributable to equity holders of the parent for the three months ended 30 June 2007 of approximately HK\$47,000 (2006: approximately HK\$1,753,000) and on the weighted average number of 303,030,000 (2006: 253,030,000) ordinary shares in issue during the period.

For continuing operations

The calculation of the basic earnings/(loss) per share from continuing operations attributable to ordinary equity holders of the parent is based on the following:

	Three months ended	
	30 June	
	2007	2006
	HK\$'000	HK\$'000
Profit for the year attributable to equity holders of the parent	47	1,753
Less: profit for the period from discontinued operation	-	<u>(2,395)</u>
Earnings/(Loss) for the purposes of basic earnings/(loss) per share from continuing operations	47	<u>(642)</u>
Weighted average number of ordinary shares	<u>303,030,000</u>	<u>253,030,000</u>

For discontinued operation

Basic earning per share for the discontinued operation was HK0.95 cent per share based on the profit from discontinued operation of approximately HK\$2,395,000 and on the weighted average number of 253,030,000 ordinary shares in issue for the three months ended 30 June 2006.

Diluted earnings per share

Diluted earnings per share is not presented for the three months ended 30 June 2007 as the Group had no potential dilutive ordinary shares as at the balance sheet date.

Diluted earnings per share is not presented for the three months ended 30 June 2007 as the outstanding share options of the Company had anti-dilutive effects on the basic loss per share.

5 Dividend

No dividend had been paid or declared by the Company during the period (2006: HK\$Nil).

6 Movements of reserves

The only movement of reserves for the three months ended 30 June 2007 is the profit for the period of approximately HK\$47,000. Movements of reserves in corresponding period in 2006 was the profit for that period of approximately HK\$1,753,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group recorded a 41.7% decrease in turnover and 97.3% decrease in profit attributable to shareholders for the three months ended 30 June 2007 as compared with that for the same period in 2006 is mainly due to the termination of provision of marketing, rolling and settlement services for a VIP lounge of a casino in Macau. Having taken into account of the increasing competition in the Macau gaming market, the board of directors of the Company (the "Board") has made a strategic decision to terminate the Marketing Agreement for the provision of rolling and settlement services in the Emperor VIP Club at the Galaxy Casino at the Waldo Hotel in Macau in order to reallocate and centralize resources in developing high profit customers in the Jun Ying VIP Club at the Waldo Casino at the Grand Waldo Hotel in Macau. The management believes that the performance of the Jun Ying VIP Club will be improved and contributes to the turnover and profit of the Group in the coming future.

(A) Revised consideration for the acquisition of Right Gateway Limited ("Right Gateway")

Referring to the announcement dated 21 August 2006 and circular dated 31 October 2006 (the "Circular") in relation to the acquisition of the entire issued share capital of Right Gateway for a total consideration of HK\$230,200,000, which constitute a major transaction (the "Acquisition") for the Group under the GEM Listing Rules. Terms used herein shall have the same meanings as defined in the Circular unless defined otherwise.

Right Gateway holds 70% interest in Right Idea Investment Limited ("Right Idea"), a company which has entered into an agreement with Man Pou Gambling Promotion Company Limited ("Man Pou") to acquire 100% of its profit, being approximately 0.4% of the rolling turnover generated by Man Pou and/or its customers at the Jun Ying VIP Club at the Waldo Casino at the Grand Waldo Hotel together with any other performance bonus received if any by Man Pou.

The Circular regarding the acquisition of Right Gateway has been despatched to the shareholders on 31 October 2006 and the shareholders has approved the Acquisition in the SGM on 16 November 2006. Consideration shares (i.e. 50,000,000 ordinary shares of the Company) have been issued to the vendors hereunder, Mr. Sin Tim Iao and Ms. Chen Anfeng on 28 December 2006.

Referring to the announcement and circular dated 4 June 2007 and 28 June 2007 respectively, a supplemental agreement was signed on 21 May 2007 to, inter alia, revise the consideration for the acquisition of the entire issued share capital of Right Gateway from HK\$230,200,000 to HK\$89,877,000 ("Revised Consideration") due to the disappointing

performance of Man Pou for the period from 1 January to 31 March 2007. The entering into of the supplemental agreement constitutes a major and connected transaction for the Company under the GEM Listing Rules and is approved by the independent shareholders in the Special General Meeting ("SGM") on 3 August 2007.

(B) Rights issue and bonus shares issue

Referring to the announcement and circular dated 4 June 2007 and 28 June 2007 respectively, the Board proposed a rights issue and a bonus share issue (see details below) and in the SGM on 3 August 2007, the shareholders of the Company approved the Company to raise approximately HK\$36 million net of estimated expenses by way of rights issue of one rights share for every existing share held on 3 August 2007 at a subscription price of HK\$0.13 per rights share ("Rights Issue"), and a bonus shares issue of one bonus share for every rights share. The Rights Issue is fully underwritten by Sun Hung Kai International Limited pursuant to the terms and conditions of the underwriting agreement dated 23 May 2007. Details of the Rights Issue and bonus shares issue are set out in the Company's announcement dated 4 June 2007, circular dated 28 June 2007 and prospectus dated 6 August 2007.

PROSPECTS

During the period under review, our gaming and entertainment businesses in Macau has faced keen competition arising from growing number of new casinos and VIP gaming tables, and the measures adopted by the Guangdong government to tighten the individual visit scheme to Macau, which drives down the net win for each of the VIP gaming tables. However, the management believes the gaming and entertainment businesses will continue to grow and become the key profit centre by devoting more resources to undertake marketing and promotion campaigns. The Group will also seek investment opportunities in the South East Asia that are beneficial to the shareholders with the aim to boost the Group's gaming revenues.

SHARE OPTION SCHEME

A share option scheme (the "Scheme") was approved and adopted by the shareholders of the Company at an annual general meeting held on 21 August 2006. Under the Scheme, the directors of the Company are authorized to grant options to the participants of the Group including any employee, director, adviser, consultant, licensors, distributors, suppliers, agents, customers, joint venture partners, strategic partners and services providers to or of any member of the Group whom the Board considers in its sole discretion to subscribe for shares of the Company. During the period, no option has been granted, exercised, cancelled or lapsed under the Scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 June 2007, the following directors and chief executive of the Company had or were deemed to have interests in the equity shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register kept by the Company pursuant to Part XV of the SFO or otherwise notified to the Company pursuant to the minimum standards of dealings by the directors as referred to in Rules 5.46 to 5.68 of the GEM Listing Rules:

Name	Type of interest	Number of ordinary shares in the Company	Percentage of shareholding
Wong Kam Leong	Corporate Interest (Note 1)	205,000,000	67.66%
Lai Cho Wai	Personal Interest (Note 2)	44,000,000	14.52%

Notes:

- As at 30 June 2007, 102,500,000 shares in the Company are beneficially owned by and registered in the name of Wide Fine International Limited ("Wide Fine"), a company incorporated in Hong Kong with limited liability and is wholly-owned by Mr. Wong Kam Leong. Pursuant to an undertaking by Wide Fine in favour of the Company, Wide Fine undertook to subscribe for 102,500,000 shares under the Rights Issue.
- As at 30 June 2007, Mr. Lai Cho Wai is the registered holder and beneficial owner of 22,000,000 shares in the Company. Pursuant to an undertaking made in favour of the Company, Mr. Lai undertook to subscribe for 22,000,000 Shares under the Rights Issue.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable any of the Company's directors or members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Save as disclosed above, none of the directors and chief executive (including their spouse and children under the age of 18) had any interest in, or had been granted, or exercised, any right to subscribe for the shares of the Company and its associated corporations (within the meaning of the SFO).

Save as disclosed above, none of the directors, chief executive or their associates had any interests in the securities of the Company or any of its associated corporations as defined in Part XV of the SFO which was discloseable for the period ended 30 June 2007.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30 June 2007, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive.

Name	Number of shares held	Percentage of shareholdings
Wide Fine International Limited (<i>Note 3</i>)	205,000,000	67.66%
Lai Pak Leng (<i>Note 4</i>)	46,000,000	15.18%
Chen Anfeng (<i>Note 5</i>)	50,000,000	16.50%
Sin Tim lao (<i>Note 6</i>)	30,000,000	9.90%

Note:

- As at 30 June 2007, Wide Fine is the beneficial owner of 102,500,000 shares. Pursuant to an undertaking by Wide Fine in favour of the Company, Wide Fine undertook to subscribe for 102,500,000 shares under the Rights Issue.
- As at 30 June 2007, Lai Pak Leng is the beneficial owner of 23,000,000 shares. Pursuant to an undertaking made by Mr. Lai in favour of the Company, Mr. Lai undertook to subscribe for 23,000,000 shares.
- As at 30 June 2007, Chen Anfeng is the beneficial owner of 25,000,000 shares. Pursuant to an undertaking made in favour of the Company, Ms. Chen undertook to subscribe for 25,000,000 shares under the Rights Issue.
- As at 30 June 2007, Sin Tim lao is the beneficial owner of 15,000,000 shares. Pursuant to an undertaking made in favour of the Company, Mr. Sin undertook to subscribe for 15,000,000 shares under the Rights Issue.

Save as disclosed above, no other person was recorded in the register pursuant to Part XV of the SFO as having an interest being 5 per cent or more of the issued share capital of the Company as at 30 June 2007.

COMPETING INTERESTS

As at 30 June 2007, the directors are not aware of any business or interest of each director, management shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

In compliance with Rule 5.28 and 5.33 of the GEM Listing Rules, the Company has established an audit committee comprising of independent non-executive directors, namely Mr. Leong Meng Wa, Mr. Ng Kwok Chu, Winfield and Mr. Ng Chau Tung, Robert. The Group's unaudited results for the three months ended 30 June 2007 have been reviewed by the audit committee. Members of the committee were of the opinion that the preparation of such results complied with applicable accounting standards, the Exchange and legal requirements and that adequate disclosures had been made.

BOARD PRACTICES AND PROCEDURES

Save as disclosed above, throughout the three months ended 30 June 2007, the Company has complied with rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures. None of the independent non-executive directors have been paid any fees or other reimbursements or emoluments during the period.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the three months ended 30 June 2007, neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions on terms no less exacting than the required standards of dealings regarding securities transactions by directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specified enquiry with the directors, all the directors confirmed that they have complied with the code of conduct and the required standard of dealings throughout the period under review.

On behalf of the Board

Wong Kam Leong

Chairman

13 August 2007, Hong Kong

As at the date hereof, the executive Directors are Mr. Wong Kam Leong, Mr. Lai Cho Wai and Mr. Ma Chon; and the independent non-executive Directors are Mr. Leong Meng Wa, Mr. Ng Kwok Chu, Winfield and Mr. Ng Chau Tung, Robert.