



LONG SUCCESS INTERNATIONAL (HOLDINGS) LIMITED

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

2006

INTERIM REPORT

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 of the Group for the six months ended 30 September 2006 was approximately HK\$21,559,000, as compared to HK\$18,763,000 for the corresponding period in 2005.
- Net profit attributable to shareholders for the six months ended 30 September 2006 was approximately HK\$2,144,000 as compared to profit attributable to shareholders of HK\$1,409,000 for the corresponding period in 2005.
- Earning per share for the Group was approximately HK\$0.85 cents for the 30 September 2006 as compared to earning per share of HK\$0.56 cents in the corresponding period in 2005.
- The Directors do not declare any interim dividend for the six months ended 30 September 2006.

INTERIM RESULTS

The unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months and three months ended 30 September 2006 together with the comparatives for the corresponding periods in 2005 are as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Unaudited			
		Six months ended 30 September		Three months ended 30 September	
		2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Turnover	2	21,559	18,763	8,197	8,651
Material, equipment and sub-contracting charge		(9,414)	(8,337)	(2,523)	(3,314)
Staff costs		(6,545)	(6,548)	(3,249)	(3,321)
Depreciation of property, plant and equipment		(114)	(155)	(49)	(76)
Amortisation of development expenditures		-	(578)	-	(578)
Other operating expenses		(2,942)	(1,637)	(1,865)	(882)
Operating profit		2,544	1,508	511	480
Interest income		14	63	1	32
Interest expense		(11)	(162)	(4)	(90)
Profit before taxation		2,548	1,409	508	422
Taxation	3	(404)	-	(117)	-
Profit/(loss) after taxation		2,144	1,409	391	422
Minority interests		-	-	-	-
Profit attributable to shareholders		2,144	1,409	391	422
Earnings per share	4				
- Basic		HK0.85 cents	HK0.56 cents	HK0.15 cents	HK0.17 cents
- Diluted		N/A	HK0.56 cents	N/A	HK0.17 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	6	445	410
		445	410
CURRENT ASSETS			
Trade receivables	7	3,743	7,796
Prepayments, deposits and other receivables		628	1,431
Cash and bank deposits		12,797	6,885
		17,168	16,112
CURRENT LIABILITIES			
Trade payables	8	1,851	2,425
Accruals and other payables		3,261	4,039
Receipts in advance		2,324	2,083
Current portion of obligations under finance leases		110	229
Current portion of secured long-term bank loan		-	108
Amount due to ultimate holding Company		1,249	1,313
Provision for taxation		1,237	833
		10,032	11,030
Net current assets/(liabilities)		7,136	5,082
Total assets less current liabilities		7,581	5,492
NON-CURRENT LIABILITIES			
Obligations under finance leases		-	(54)
Net assets		7,581	5,438
FINANCED BY			
Share capital		25,303	25,303
Reserves		(17,722)	(19,865)
		7,581	5,438

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 September 2005*

	Unaudited					
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserves <i>HK\$'000</i>	Cumulative translation adjustments <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2005	25,006	5,613	(341)	(59)	(30,175)	44
Issue of shares upon exercise of options	262	2,222	-	-	-	2,484
Profit for the period	-	-	-	-	1,409	1,409
At 30 September 2005	<u>25,268</u>	<u>7,835</u>	<u>(341)</u>	<u>(59)</u>	<u>(28,766)</u>	<u>3,937</u>

For the six months ended 30 September 2006

	Unaudited					
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserves <i>HK\$'000</i>	Cumulative translation adjustments <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2006	25,303	7,870	(341)	(68)	(27,326)	5,438
Profit for the period	-	-	-	-	2,144	2,144
At 30 September 2006	<u>25,303</u>	<u>7,870</u>	<u>(341)</u>	<u>(68)</u>	<u>(25,183)</u>	<u>7,581</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended	
	30 September	
	2006	2005
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	6,338	(1,124)
Net cash inflow/(outflow) from investing activities	(149)	1,708
Net cash inflow/(outflow) from financing activities	(277)	2,126
Increase in cash and cash equivalents	5,912	2,710
Cash and cash equivalents at the beginning of period	6,885	1,238
Cash and cash equivalents at the end of period	<u>12,797</u>	<u>3,948</u>
Analysis of balances of cash and cash equivalents:		
Cash and bank deposits	12,797	3,633
Pledged deposits	-	5,636
Bank overdrafts	-	(5,321)
	<u>12,797</u>	<u>3,948</u>

NOTES:

1. Basis of preparation

The unaudited interim consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited.

The accounting policies used in preparing the Interim Financial Statements are consistent with those followed in the Group's annual financial statements for the year ended 31 March 2006 with the addition of certain standards and interpretations of Hong Kong Financial Reporting Standards ("HKFRS") issued and became effective in the current period as described below.

1.1 Impact of new and revised HKFRS which are effective in the current financial period

In the current period, the Group has applied, for the first time, of the following new and revised standards and interpretations of HKFRS relevant to its operations which are effective for accounting periods beginning on or after 1 January 2006:-

HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
HKFRS 6	Exploration for and evaluation of mineral resources
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC) – Int 5	Rights to Interests Arising from Decommissioning, restoration and environmental rehabilitation funds
HK(IFRIC) – Int 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment
HK(IFRIC) – Int 7	Applying the restatement approach under HKAS 29 Financial reporting in Hyperinflationary Economies

The adoption of the above standards and interpretations does not result in significant changes in the Group's accounting policies and has no significant financial effect on the Interim Financial Statements.

2.2 *Impact of new and revised HKFRS which are issued but not yet effective*

The following are standards and interpretations relevant to the operations of the Group which are issued but not yet effective in the current financial period:

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments – Disclosures ¹
HK(IFRIC) – Int 8	Scope of HKFRS 2 ²
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives ³

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 May 2006

³ Effective for annual periods beginning on or after 1 June 2006

The Group had not early adopted the above standards and interpretations. The directors anticipate that the adoption of the above standards and interpretations will not result in significant changes in accounting policies of the Group or have significant financial impact on the Group's financial statements in the period of initial application.

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

2. Turnover and segment information

The Group is organised into five major operating units: (i) development of customised software and sales of related computer equipment; (ii) sales and lease of packaged software; (iii) technical support and maintenance services; (iv) lease of property; and (v) Macau marketing services. An analysis of the Group's turnover and operating profit/(loss) by business segments is as follows:

	Six months ended 30 September 2006		Six months ended 30 September 2005	
	Turnover HK\$'000	Operating Profit HK\$'000	Turnover HK\$'000	Operating Profit HK\$'000
Development of customised software and sales of related computer equipment	8,844	7,223	10,712	6,498
Sales and lease of packaged software	-	-	977	693
Technical support and maintenance services	1,868	1,554	1,978	1,652
Macau marketing services	10,847	3,368	5,096	1,585
	<u>21,559</u>	<u>12,145</u>	<u>18,763</u>	10,428
Unallocated corporate expenses		(9,602)		(8,920)
		<u>2,543</u>		<u>1,508</u>

The Group has business operations in Hong Kong, Macau, the People's Republic of China (the "PRC"). An analysis of the Group's turnover and operating profit/(loss) by geographical segments is as follows:

	Six months ended 30 September 2006		Six months ended 30 September 2005	
	Turnover HK\$'000	Operating profit/(loss) HK\$'000	Turnover HK\$'000	Operating profit/(loss) HK\$'000
Hong Kong	9,952	(421)	13,667	(77)
Macau	10,847	2,561	5,096	1,585
The PRC	760	403	-	-
	<u>21,559</u>	<u>2,543</u>	<u>18,763</u>	<u>1,508</u>

3. Taxation

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 six months ended 30 September 2006. No provision for income tax in PRC has been made. Provision for Macau profits tax is calculated at 12% of the estimated assessable profits.

4. Earnings/(loss) per share

The calculation of basic and diluted earning/(loss) per share are the following data:

	Unaudited			
	Six months ended 30 September		Three months ended 30 September	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) for the period				
Profit/(loss) for calculating basic and diluted earnings/(loss) per share	<u>2,144</u>	1,409	<u>389</u>	<u>422</u>
Number of shares	'000	'000	'000	'000
Weighted average number of ordinary shares used in the calculation of basic earning/(loss) per share	253,030	250,795	253,030	251,328
Effect of dilutive potential ordinary share	-	331	-	341
Weighted average number of ordinary shares used in the calculation of diluted earning/(loss) per share	<u>253,030</u>	<u>251,126</u>	<u>253,030</u>	<u>251,669</u>

Diluted earnings per share is not presented for the six months and the three months ended 30 September 2006 as the Group had no potential ordinary shares as at the balance sheet date.

5. Interim dividends

The directors do not recommend the payment of interim dividend for the half-yearly period (2005: Nil).

6. Capital expenditure

	Unaudited Six months ended 30 September 2006 Property, plant and equipment HK\$'000
Net book value as at 1 April 2006	410
Additions	149
Depreciation	(114)
	<hr/>
Net book value as at 30 September 2006	<u>445</u>

7. Trade receivables

The ageing analysis of trade receivables is as follows:

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Within three months	1,741	6,878
Over three months but within six months	634	718
Over six months but within one year	1,368	128
Over one year	-	72
	<hr/>	<hr/>
	<u>3,743</u>	<u>7,796</u>

The Group normally grants to its customers credit periods for sales of goods ranging from 0 to 14 days. Consideration in respect of contracts for development of customised software, sales of related computer equipment, sales and lease of packaged software, the provision of technical support and maintenance services is payable pursuant to the terms of the respective contracts. The Group generally granted credit period of 2 months to customers in marketing service sector.

8. Trade payables

The ageing analysis of trade payables is as follows:

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Within three months	20	2,346
Over three months but within six months	89	29
Over six months but within one year	1,586	-
Over one year	156	50
	<u>1,851</u>	<u>2,425</u>

9. Movements in Reserves

The movement in reserves for the six months ended 30th September, 2006 is HK\$2,144,000 (2005: HK\$3,630,000).

10. Post Balance Events*Major Transaction – Acquisition of 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 Limited for a total consideration of HK\$230,200,000, which constitute a major transaction for the Company under the GEM Listing Rules. Terms used herein shall have the same meanings as defined in the Circular unless defined otherwise.

Right Gateway holds a 70% interest in Right Idea, a company which has entered into an agreement with 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 together with any other payments received by Man Pou in its performance of its obligations as a junket representative.

The Circular regarding the acquisition of Right Gateway Limited has been despatched to the shareholders on 31 October 2006 and the SGM is scheduled to be held at Pacific Place Conference Centre, Level 5, On Pacific Place, 88 Queensway, Hong Kong on 16 November 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Business Review

The Group's turnover for the six months ended 30 September, 2006 was HK\$21,559,000, representing an increase of 14.90% as compared to HK\$18,763,000 in the same period in 2005. The increase is mainly generated from the Macau business, amounting to HK\$10,847,000. The net profit is HK\$2,144,000, of which HK\$2,561,000 is generated from the Macau business (2005: profit for the period amounted to HK\$1,585,000).

Prospect

The Group has engaged in providing marketing services for a VIP Lounge in Macau. The Group will continue solicit for opportunities to expand the Group's provision of marketing services to other VIP gaming lounges in Macau.

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 Limited for a total consideration of HK\$230,200,000, which constitute a major transaction for the Company under the GEM Listing Rules. Terms used herein shall have the same meanings as defined in the Circular unless defined otherwise.

Right Gateway holds a 70% interest in Right Idea, a company which has entered into an agreement with 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 together with any other payments received by Man Pou in its performance of its obligations as a junket representative.

The Circular regarding the acquisition of Right Gateway Limited has been despatched to the shareholders on 31 October 2006 and the SGM is scheduled to be held at Pacific Place Conference Centre, Level 5, On Pacific Place, 88 Queensway, Hong Kong on 16 November 2006.

The IT division of the Group will continue to focus on developing ERP projects, which provides all-in-one business solutions (including CRM, ERP, etc) to companies ranging from multi-national corporations to small and medium enterprises. Looking forward, improved operating results are anticipated in view of the strong sales-team dedicated for ERP projects and the tightening cost control.

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 September 2006, the following Directors of the Company had or were deemed to have interests in the equity securities 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 of Directors	Type of Interest	Number of ordinary shares in the Company	Percentage of shareholdings (%)
Wong Kam Leong ("Mr. Wong")	Corporate interest (<i>Note 1</i>)	102,500,000	40.51%
Lai Cho Wai ("Mr. Lai")	Personal interest	22,000,000	8.69%
Lau Chiu Pui ("Mr. Lau")	Discretionary trust (<i>Note 2</i>)	13,750,000	5.43%
Lau Chiu Pui ("Mr. Lau")	Personal interest	250,000	0.10%

Notes:

- The 132,500,000 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.
- The 13,750,000 shares in the Company are beneficially owned by and registered in the name of Noble Class Group Limited ("Noble Class"), a company incorporated in the British Virgin Islands. Noble Class is in turn wholly held by Sunrise International (Holdings) Limited ("Sunrise"), a company incorporated in the Cayman Islands. All the issued non-voting redeemable and retractable preferred shares of Sunrise, with the rights to a fixed 5% cumulative dividend and redemption at fixed redemption prices in the aggregate amount of HK\$9 million, are held by Mr. Lau and Ms. Chan Pui Fong (Mr. Lau's spouse). The issued ordinary shares of Sunrise are held in the following proportions:

Name of shareholders	Class of ordinary shares	Participating proportion
Pro Nes Genesis Anstalt (the "Anstalt")*	Voting, non-participating	–
Mr. Lau	Non-voting, participating	100%
		100%

- * The Anstalt is a corporate entity under Liechtenstein in which Mr. Lau has sole beneficial interest. Mr. Lau are therefore taken to have a beneficial interest in the 13,750,000 ordinary shares owned by Noble Class under Part XV of the SFO.

Save as disclosed herein, none of the Directors or chief executive of Long Success had any interests or short positions in any shares, underlying shares or debentures of Long Success or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to Long Success 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 which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to Long Success and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30 September 2006, the Company had been notified of the following substantial shareholders' interests, being 5 percent 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	102,500,000	40.51%
Lai Pak Leng	23,000,000	9.09%
Lai Cho Wai	22,000,000	8.69%
Lau Chiu Pui	14,000,000	5.53%*
Noble Class Group Limited ("Noble Class")	14,000,000	5.53%*
Sunrise International (Holdings) Limited	14,000,000	5.53%*
Pro Nes Genesis Anstalt	14,000,000	5.53%*

* Duplication, all shareholdings are beneficially held as stated above.

Save as disclosed above, no other person was recorded in the register pursuant to Part XV of the SFO as having an interest in 5 per cent or more of the issued share capital of the Company as at 30th September, 2006.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the requirements as set out in Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises the three independent non-executive directors (Mr. Ng Kwok Chu, Winfield, Mr. Ng Chau Tung, Robert, Mr. Leong Meng Wa). The Group's unaudited results for the six months ended 30 September 2006 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

Throughout the six months ended 30 September 2006, the Company has complied with rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures. All independent non-executive directors have not been paid any fees or other reimbursements or emoluments during the period.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30th September, 2006, neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company.

On behalf of the Board
Wong Kam Leong
Chairman

Hong Kong, 14 November 2006

As at the date hereof, the executive Directors are Mr. Wong Kam Leong, Mr. Lau Chiu Pui, 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.