



**LONG SUCCESS INTERNATIONAL (HOLDINGS) LIMITED**

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

The background of the cover is a vibrant blue with a dynamic, abstract design. It features several diagonal lines of glowing white and light blue dots, creating a sense of movement and depth. A faint, light-colored grid or architectural structure is visible in the center, adding a technical or corporate feel to the design.

**2006**  
**THIRD QUARTERLY 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 nine months ended 31 December 2006 was approximately HK\$26,876,000 as compared to HK\$32,254,000 for the corresponding period in 2005.
- Net loss of the Group for the nine months ended 31 December 2006 was approximately HK\$2,458,000 as compared to net profit of HK\$3,157,000 for the corresponding period in 2005.
- Loss per share of the Group was HK0.97 cents for the nine months ended 31 December 2006 as compared to profits per share of HK1.26 cents for the corresponding period in 2005.

### THIRD QUARTERLY RESULTS

The unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the nine months and three months ended 31 December 2006 together with the comparatives for the corresponding periods in 2005 are as follows:

### UNAUDITED CONSOLIDATED RESULTS

	Notes	Nine months ended 31 December		Three months ended 31 December	
		2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Turnover	2	<b>26,876</b>	32,254	<b>5,317</b>	13,490
Material and equipment		<b>(10,396)</b>	(15,336)	<b>(982)</b>	(6,999)
Staff costs		<b>(10,043)</b>	(9,789)	<b>(3,498)</b>	(3,242)
Depreciation of property, plant and equipment		<b>(158)</b>	(221)	<b>(44)</b>	(65)
Amortisation of development expenditures		-	(578)	-	-
Other operating expenses	4	<b>(8,300)</b>	(3,038)	<b>(5,358)</b>	(1,400)
Operating profit/(loss)		<b>(2,021)</b>	3,292	<b>(4,565)</b>	1,784
Interest income		<b>15</b>	118	<b>2</b>	55
Interest expense		<b>(15)</b>	(252)	<b>(4)</b>	(92)
Profit/(Loss) before taxation		<b>(2,021)</b>	3,157	<b>(4,567)</b>	1,747
Taxation	3	<b>(437)</b>	-	<b>(33)</b>	-
Profit/(Loss) after taxation		<b>(2,458)</b>	3,157	<b>(4,600)</b>	1,747
Minority interests		-	-	-	-
Profit/(Loss) attributable to shareholders		<b>(2,458)</b>	3,157	<b>(4,600)</b>	1,747
Earning/(Loss) per share (HK cents)	5				
- Basic		<b>(0.97)</b>	1.26	<b>(1.80)</b>	0.69
- Diluted		<b>N/A</b>	1.25	<b>N/A</b>	0.69

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
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives

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.

### 1.2 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 <sup>1</sup>
HKFRS 7	Financial Instruments – Disclosures <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007

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

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

	Nine months ended		Three months ended	
	31 December		31 December	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Macau marketing services	11,697	13,380	850	8,283
Development of customised software and sales of related computer equipment	12,681	14,341	3,837	3,629
Sales and lease of packaged software	–	977	–	–
Provision of technical support and maintenance services	2,498	3,556	630	1,578
	<u>26,876</u>	<u>32,254</u>	<u>5,317</u>	<u>13,490</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 nine months ended 31 December 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. Other Operating Expenses

Other operating expenses include a provision of HK\$5,000,000 for the possible compensation and costs for the early termination of the marketing agreement for the provision of rolling and settlement services in the Emperor V.I.P. Club (the "Marketing Agreement").

#### 5. Earnings/(loss) per share

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

	Unaudited			
	Nine months ended		Three months ended	
	31 December		31 December	
	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>(2,458)</u>	<u>3,157</u>	<u>(4,600)</u>	<u>1,747</u>
<b>Number of shares</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares used in the calculation of basic earning/(loss) per share	<b>253,760</b>	251,425	<b>255,228</b>	252,684
Effect of dilutive potential ordinary share	-	312	-	255
Weighted average number of ordinary shares used in the calculation of diluted earning/(loss) per share	<u><b>253,760</b></u>	<u>251,737</u>	<u><b>255,228</b></u>	<u>252,939</u>

#### 6. Dividend

No dividend had been paid or declared by the Company during the period (2005: HK\$Nil).

#### 7. Movements of reserves

The only movement of reserves for the nine month ended 31st December 2006 is the loss for that period HK\$2,458,000 (Movements of reserves in corresponding period in 2005 was the profit for that period HK\$3,157,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial and Business Review

The Group's turnover for the nine months ended 31 December 2006 was HK\$26,876,000, representing a decrease of 16.67% as compared to HK\$32,254,000 in the same period in 2005. The net loss is HK\$2,458,000 (2005: profit for the period amounted to HK\$3,157,000).

The decrease in turnover and profit is mainly due to the increased competition in both Macau business and the IT business. In addition, having taken into account of the increasing competition in the Macau gaming market, the Board of Director of the Company has made a strategic decision to terminate the marketing agreement with the Emperor V.I.P. 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 Galaxy Casino at the Grand Waldo Hotel in the Cotai Strip (please see below for details). A provision of HK\$5,000,000 has been made for the possible compensation and costs for the early termination of the Marketing Agreement.

### 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 (the 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 shareholders has approved the Major Transaction in the SGM on 16 November 2006. Consideration Shares (i.e. 50,000,000 ordinary shares of the Company) has been issued to the Mr. Sin and Ms. Chen on 28 December 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 31 December 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 (Note 1)	102,500,000	33.83%
Lai Cho Wai ("Mr. Lai")	Personal interest	22,000,000	7.26%

*Note:*

- The 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.

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 31 December 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	33.83
Lai Pak Leng	23,000,000	7.59
Lai Cho Wai	22,000,000	7.26

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 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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*

12 February 2007, Hong Kong