

Report of Directors

The directors present their annual report and the audited financial statements of the Company and the Group for the year ended 30 September 2003.

1. PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the business of the retailing of consumer goods targeting at tourists in Hong Kong and provision of construction and related services in Hong Kong.

2. CHANGE OF COMPANY NAME

Pursuant to a special resolution passed in the extraordinary general meeting held on 21 October 2003 and the issuance of a certificate of incorporation on change of name by the Companies Registry of Hong Kong, the name of the Company has been changed from China Development Corporation Limited to Macau Success Limited with effect from 5 November 2003.

3. RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 20.

The directors do not recommend the payment of any dividends in respect of the year ended 30 September 2003.

4. SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in note 3 to the financial statements.

5. FIVE-YEAR FINANCIAL SUMMARY

A financial summary of the Group for the past five financial years is set out on page 62.

6. SHARE CAPITAL

Details of the Company's share capital are set out in note 26 to the financial statements.

7. RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 25 of this report and other details of the reserves of the Group and the Company are set out in note 28 to the financial statements.

As at 30 September 2003, the Company had no reserves available for cash distribution and/or distribution in specie.

8. PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group and the Company during the year are set out in note 13 to the financial statements.



9. SUBSIDIARY COMPANIES

Particulars of the Company's subsidiary companies are set out in note 15 to the financial statements.

10. DIRECTORS

The directors who held office during the year and up to the date of this report were:

Executive directors:

Yeung Hoi Sing, Sonny (<i>Chairman</i>)	(appointed on 25 July 2003)
Chan William	(appointed on 25 July 2003)
Lee Siu Cheung	(appointed on 25 July 2003)
Cheung Yu Shum, Jenkin	(resigned on 25 April 2003)
Lam Siu Sek	(resigned on 25 July 2003)
Kwok Ka Lap, Alva	(appointed on 4 April 2003 and resigned on 25 July 2003)
Ng Wai Ming	(resigned on 31 July 2003)

Non-executive director:

Lien Kait Long	(resigned on 25 July 2003)
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Independent non-executive directors:

Choi Kin Pui, Russelle	(appointed on 28 January 2003)
Luk Ka Yee, Patrick	(appointed on 28 January 2003)
Shum Ka Hei	(resigned on 20 January 2003)
Cheung Man Yau	(resigned on 28 January 2003)

In accordance with Article 95 of the Articles of Association of the Company, Messrs. Yeung Hoi Sing, Sonny, Chan William and Lee Siu Cheung, who were appointed during the year from the last annual general meeting, shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Article 104(A) of the Articles of Association of the Company, Mr. Choi Kin Pui, Russelle will retire by rotation and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

11. DIRECTORS' SERVICE CONTRACTS

The independent non-executive directors were appointed for a period of one year commencing on their appointment dates.

Save as disclosed above, none of the directors has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

12. DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.



Report of Directors

13. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 September 2003, the Directors or chief executive of the Company and/or any of their respective associates had the following interests and 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 Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong (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:—

Name	Long position/ Short position	Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Yeung Hoi Sing, Sonny (Note 1)	Long position	Corporate interest	678,080,000	42.7%
Mr. Chan William (Note 2)	Long position	Corporate interest	290,606,000	18.3%

Notes:

1. Mr. Yeung Hoi Sing, Sonny is deemed to have corporate interest in 678,080,000 Shares by virtue of the interest of the Shares held by Silver Rich Macau Development Limited, which is wholly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Yeung Hoi Sing, Sonny.
2. Mr. Chan William is deemed to have corporate interest in 290,606,000 Shares by virtue of his interest in the issued share capital of Spring Wise Investments Ltd.

Save as disclosed above, as at 30 September 2003, none of the Directors or chief executive, or their associates, had any personal, family, corporate or other interests in the securities 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.



14. SHARE OPTIONS SCHEME AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the share option scheme adopted by the shareholders of the Company on 7 March 2002 (the "Share Option Scheme"), the board of the Company may for a consideration of HK\$1 offer to selected eligible persons to subscribe for shares of the Company as incentive or rewards for their contribution to the Group. The subscription price will be determined by the board at its absolute discretion, but in any event shall not be less than the higher of the nominal value for the time being of each share of the Company, the average closing price of the shares of the Company as stated in the daily quotation sheets of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date on which the relevant option is granted and the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date on which the relevant option is granted.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other schemes of the Company must not, in aggregate, exceed 30% of the issued share capital of the Company from time to time.

The Share Option Scheme became effective for a period of ten years commencing on 7 March 2002.

No options under the Share Option Scheme had been granted to any person since its adoption.

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or children under 18 years of age, or were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.



Report of Directors

15. SUBSTANTIAL SHAREHOLDERS

As at 30 September 2003, 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:—

Name of Shareholder	Long position/ Short position	Nature of interest	Number of Shares held	Approximate percentage of shareholding
Silver Rich Macau Development Limited	Long position	Corporate interest	678,080,000	42.7%
Spring Wise Investments Ltd.	Long position	Corporate interest	290,606,000	18.3%
Mr. Chan Hon Keung (Note)	Long position	Corporate interest	290,606,000	18.3%

Note: Mr. Chan Hon Keung is deemed to have corporate interest in 290,606,000 Shares by virtue of his interest in the issued share capital of Spring Wise Investments Ltd.

Save as disclosed above, as at 30 September 2003, 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.

16. CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

The Company had no outstanding convertible securities, options, warrants or other similar rights as at 30 September 2003.

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

During the period, there was no purchase, sale or redemption by the Company, or any of its subsidiaries of the listed securities of the Company.

18. MAJOR SUPPLIERS AND CUSTOMERS

During the year, the five largest customers of the continuing operations of the Group accounted for 46.8% of total turnover of the continuing operations of the Group of which the largest customer accounted for approximately 23.7% and the five largest suppliers of the continuing operations of the Group accounted for 31.6% of total purchases of the continuing operations of the Group, of which the largest supplier accounted for approximately 12.7%.



None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors owns more than 5% of the Company's issued share capital) had any beneficial interest in the above five largest customers or five largest suppliers.

19. CHARITABLE CONTRIBUTIONS

During the year, no charitable contributions (2002: Nil) were made by the Group.

20. POST BALANCE SHEET EVENTS

Details of the significant events after the balance sheet date are set out in note 34 to the financial statements.

21. CODE OF BEST PRACTICE

In the opinion of the Board, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

22. PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

23. AUDITORS

On 23 May 2003, John K. H. Lo & Co. tendered their resignation as auditors of the Company and Deloitte Touche Tohmatsu were appointed as auditors of the Company to fill the vacancy created by the resignation of John K. H. Lo & Co..

On 17 September 2003, Deloitte Touche Tohmatsu tendered their resignation as auditors of the Company and Charles Chan, Ip & Fung CPA Ltd. were appointed as auditors of the Company to fill the vacancy left by the resignation of Deloitte Touche Tohmatsu.

A resolution to re-appoint the retiring auditors, Charles Chan, Ip & Fung CPA Ltd., will be put at the forthcoming annual general meeting.

On behalf of the board
Yeung Hoi Sing, Sonny
Chairman

Hong Kong, 27 January 2004

