

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the period under review, turnover of the Group was approximately HK\$104.8 million representing an approximately 107.3% increase as compared to the last corresponding period (2003: approximately HK\$50.6 million). Profit attributable to shareholders amounted to approximately HK\$4.3 million, representing a rebound of approximately 408.8% when compared to the last corresponding period (2003: Loss attributable to shareholders approximately HK\$1.4 million). Earnings per share for the period was 0.30 HK cents (2003: Loss per share 0.90 HK cents).

INTERIM DIVIDEND

The directors of the Company (the “Directors”) do not recommend the payment of interim dividend for the period (2003: nil).

REVIEW OF OPERATIONS

With the enormous increase in demand for travel services with the relaxation of travel restrictions on PRC travelers, Travel Success Limited (“Travel Success”) (license no.: 352713) was incorporated in October 2003 to allow the Group to benefit from the large potential tourism market. This wholly owned subsidiary of the Company will strive to become one of the companies in Hong Kong that provides most comprehensive and professional travel services and one-stop solutions to corporations and up-market leisure travelers in the near future.

To go in line with the new business motive to concentrate on tourism related areas, the Group has acquired 55% interest in M. V. Macau Success (the “Cruise Ship”) and entered into a bareboat charter agreement (the “Bareboat Charter Agreement”) simultaneously in January 2004 to pave way for the Group’s ambitious expansion into the cruise business, details of which were set out in the Company’s circular dated 24 December 2003.

The increasingly intense cut-throat price competition on tendering of construction projects and the high unemployment rate which has been persistently affecting the local population all pose adverse impact on the property market of Hong Kong. As one of the players in the market,

the Directors believe that the future of the local construction business is still not promising. As a result of the above, the management has decided to dispose and discontinue all construction related business in March 2004 so as to concentrate the Group's resources on the development of tourism related businesses in the future.

On 9 March 2004, the board of Directors announced that the Company has proposed a reorganization (the "Proposed Reorganization") which will involve: (i) a change of domicile of the Company from Hong Kong to Bermuda; (ii) transfer of the amount standing to the credit of the share premium account of the Company to a distributable account; and (iii) declaration of dividend in specie of the Group's 55% interest in the Cruise Ship to a company to be incorporated in Bermuda with limited liability (the "Newco"), shares of which were proposed to be listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by way of introduction. Upon the Proposed Reorganization becoming effective, the existing listing of the shares of the Company on the Stock Exchange will be withdrawn. Details of the Proposed Reorganization was set out in the Company's announcement dated 9 March 2004.

Subsequent to the period, an application has been made by the Company to the Listing Committee of the Stock Exchange for granting of the listing of and permission to deal in the Newco shares to be issued pursuant to the Proposed Reorganization.

Retail Business

Turnover contributed by the retail business amounted to approximately HK\$66.3 million (2003: approximately HK\$34.1 million), representing an increase of approximately 94.3% when compared to the last corresponding period, which contributed approximately 63.3% of the Group's total turnover.

Travel Business

Since the incorporation of Travel Success, travel business incurred an operating loss amounted to approximately HK\$0.3 million, whereas turnover has been gradually increasing with quick penetration into the market. Turnover from the travel business amounted to approximately HK\$1.3 million for the period under review, representing approximately 1.3% of the Group's total turnover.

Cruise Business

Pursuant to the Bareboat Charter Agreement, the Cruise Ship is leased to an independent third party (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”)) as cruise operator (the “Cruise Operator”) for monthly charter payments. In March 2004, the Group acquired 55% equity interest in Hover Management Limited (“Hover”), a company incorporated in Hong Kong with limited liability. Hover provides management service to the Cruise Operator for monthly management fees. Since the launch of the cruise business, it recorded turnover amounted to approximately HK\$12.1 million and operating profit of approximately HK\$8.3 million.

FINANCIAL REVIEW

Pledge of Assets

As at 31 March 2004, the Group had no assets pledged to financial institutions for financing (30 September 2003: approximately HK\$1.0 million, of which approximately HK\$0.1 million is repayable within one year).

Contingent Liabilities

As at 31 March 2004, the Group had no contingent liability (30 September 2003: nil).

Liquidity, Financial Resources and Gearing

As at 31 March 2004, the Group had net current assets of approximately HK\$14.1 million (30 September 2003: approximately HK\$19.3 million) and had net assets of approximately HK\$75.0 million (30 September 2003: approximately HK\$29.3 million). The growth in net assets position was due to the successful share placement by the Group during November 2003.

As at 31 March 2004, the Group had total financial borrowings of approximately HK\$4.8 million (30 September 2003: approximately HK\$11.5 million), none of which represents obligations under finance leases (30 September 2003: approximately HK\$0.03 million).

The Group's total financial borrowings were denominated in Hong Kong dollars and bear interest at floating rates. Of the total financial borrowings, approximately HK\$4.8 million is repayable within one year or on demand (30 September 2003: approximately HK\$10.6 million), while none of which is repayable after one year (30 September 2003: approximately HK\$0.9 million).

Shareholders' funds of the Group as at 31 March 2004 recorded a surplus of approximately HK\$75.0 million (30 September 2003: approximately HK\$29.3 million). Accordingly, the gearing ratio which is measured on the basis of the Group's total interest bearing borrowings over the shareholders' funds was 6.4%.

Capital Structure

Pursuant to the Placing Agreement dated 3 November 2003 and a supplemental agreement dated 17 November 2003 entered with an independent placing agent, 97,200,000 new shares at HK\$0.4325 per share were placed to not less than six independent investors on 17 November 2003. The net proceeds amounted to approximately HK\$41.0 million has been applied as to approximately HK\$10.0 million as general working capital of the Group and as to approximately HK\$31.0 million for making investments in tourism related businesses with good potential in Hong Kong and Macau when opportunities arise.

Material Acquisition and Disposal of Subsidiaries

A sale and purchase agreement dated 10 March 2004 has been entered into between Capture Success Limited, a 55% owned subsidiary of the Company, as purchaser and an independent third party (as defined in the Listing Rules) as vendor in respect of the sale and purchase of the entire issued capital of Hover upon the terms and conditions therein contained.

A sale and purchase agreement dated 12 March 2004 has been entered into between Orient Prize Holdings Inc. ("Orient Prize"), a wholly owned subsidiary of the Company, as vendor and an independent third party (as defined in the Listing Rules) 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. Completion shall take place on or before 30 June 2004.

A sale and purchase agreement dated 26 March 2004 has been entered into between Orient Prize as vendor and Mr. Chan Chung Chiu, a director of Fine Lord Construction Company Limited (“Fine Lord”) in respect of the sale and purchase of the entire equity interest in Fine Lord upon the terms and conditions therein contained. Details of which were set out in the Company’s announcement dated 31 March 2004.

Staffing

The Group’s remuneration policy is determined by reference to their qualifications, experiences, responsibility and performance of the staff concerned. Apart from the basic remuneration, staff benefits include medical insurance and retirement benefits under Mandatory Provident Fund Scheme. Share options might also be granted to eligible employees of the Group.

PROSPECTS

With the solid and encouraging performance and results of the cruise business, the Group remains conservatively optimistic towards the future prospect of the Company. As the performance of all current core businesses under the Group are satisfactory, the Group is keen to further diversify its business concentrations and tap into the huge potential markets of hotel, casino and property related businesses in Macau in the future.

With the Group’s international and professional experience in management of entertainment operations, it is the Group’s target to provide one stop tourism services to our customers with the support of Travel Success. While travel is always about leisure and entertainment, we aim to provide all-rounded entertainment services to our customers who seek for high quality and well managed travel experiences.

At present, there are 8,000 hotel rooms in Macau and the Group projects that the demand will boost up to 25,000 hotel rooms in the near future. In the process of transforming Macau to “Asia Las Vegas”, more high quality hotels with world class services are in need to be provided. The entry of the Company into the market will be with an aim to act as one of the providers of hotel services which meet with international standard in the future.

Provoked by the growing living standard in Macau, the Group foresees very positive market potential with the property market of Macau with growing demand for quality living environments. Supported by the hands-on experience of our management team in property-related businesses, the Company may consider diversifying into the property market in Macau when opportunities arise.

Looking ahead, the management will work even harder to secure the Group's successful transformation as to create long-term value for the shareholders.

DIRECTORS

The Directors who held office during the period and up to date of this report were:

Executive Directors:

Mr. Yeung Hoi Sing, Sonny (Chairman)

Mr. Chan William

Mr. Lee Siu Cheung

Non-executive Director:

Mr. Choi Kin Pui, Russelle (re-designated from independent non-executive Director on 30 March 2004)

Independent Non-executive Directors:

Mr. Luk Ka Yee, Patrick

Mr. Yim Kai Pung (appointed on 30 March 2004)

Ms. Yeung Mo Sheung, Ann (appointed on 30 March 2004)

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests in Securities

As at 31 March 2004, the Directors or chief executives 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	646,330,716	40.71%
Mr. Chan William (Note 2)	Long position	Corporate interest	258,856,716	16.31%

Notes :

- (1) Mr. Yeung Hoi Sing, Sonny is deemed to have corporate interest in 646,330,716 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 258,856,716 shares by virtue of his interest in the issued share capital of Spring Wise Investments Ltd.

Save as disclosed above, as at 31 March 2004, none of the Directors or chief executives of the Company, 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.

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 Directors 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 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 period 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.

Substantial Shareholders

As at 31 March 2004, so far as was known to the Directors or chief executives 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	646,330,716	40.71%
Spring Wise Investments Ltd.	Long position	Corporate interest	258,856,716	16.31%
Mr. Chan Hon Keung (Note)	Long position	Corporate interest	258,856,716	16.31%

Note: Mr. Chan Hon Keung is deemed to have corporate interest in 258,856,716 shares by virtue of his interest in the issued share capital of Spring Wise Investments Ltd.

Save as disclosed above, as at 31 March 2004, so far as was known to the Directors or chief executives of the Company, 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.

CORPORATE GOVERNANCE

Code of Best Practice

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended 31 March 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct (the "Code of Conduct") regarding securities transactions by Directors on terms no less exacting than the required standard of the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code").

Having made specific enquiry of all Directors, each of whom has complied with the required standard set out in the Model Code and the Code of Conduct regarding securities transactions by the Directors.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three independent non-executive Directors, of which Mr. Yim Kai Pung holds a Bachelor degree of Accountancy with honours from City University of Hong Kong in 1993 and is an associate member of Hong Kong Society of Accountants and a fellow member of Association of Chartered Certified Accountants of the United Kingdom. He has over 15 years of experience in auditing listed companies both in Hong Kong and China. Mr. Yim is presently a sole proprietor of an audit firm principally developing the China market.

Audit Committee

The Company has set up an audit committee (the “Audit Committee”) which comprises four non-executive Directors, majority of whom are independent non-executive Directors with terms of reference prepared based on “A Guide for Effective Audit Committee” published by the Hong Kong Society of Accountants. The principal duties of the Audit Committee are to review and supervise the Group’s financial reporting process and internal control system.

Review of Interim Results

The unaudited results for the six months ended 31 March 2004 have been reviewed by the Audit Committee and Messrs. Charles Chan, Ip & Fung CPA Ltd. which were of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

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.

By Order of the Board
Macau Success Limited
Lee Siu Cheung
Executive Director

Hong Kong, 24 June 2004