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1. Mr. Yeung Hoi Sing Sonny, Chairman of the Group, in a media interview.
2. Karaoke lounge in MV Macau Success has been refurbished recently.
3. Press conference for announcing Ponte 16 project.
4. The Company sponsored Macau Apprentice Jockeys Invitation Race.
5. Tokyo road show.
6. New 400 square-metres casino for super VIP's on board.

## RESULTS

For the year under review, turnover of the Group was approximately HK\$192.0 million representing approximately 64.3% increase from that of the last year (2003: approximately HK\$116.8 million). Profit attributable to shareholders amounted to approximately HK\$15.4 million, representing a decrease of approximately 56.8% as compared to that of the last year (2003: approximately HK\$35.7 million). The decrease was principally attributed to the one-off gain of approximately HK\$36.2 million on waiver of loans recorded in 2003. Earnings per share for the year was 0.98 HK cents (2003: 9.0 HK cents).

## REVIEW OF OPERATIONS

During and subsequent to the year under review, the Group has re-defined the scope of its core business and has successfully accomplished the following milestones:

- disposed of and discontinued its construction and retail businesses in March and June 2004 respectively in order to streamline the organisation structure;
- the scheme of arrangement has been sanctioned by the court, so as to reduce the inherent financial and operational uncertainties of the Group and to safeguard the interest of the shareholders; and
- increased its shareholdings in Pier 16 – Property Development from 10% to 24.5%, affirming its commitment in the development of a Macau theme park – Ponte 16 in November 2004.

### Travel Business

During the year ended 30 September 2004, Travel Success Limited (“Travel Success”), which was incorporated in October 2003 and is a wholly-owned subsidiary of the Company, has recorded an increase in turnover. However, strong competition has resulted in a smaller profit margin. Turnover for the travel business amounted to approximately HK\$3.8 million (2003: HK\$Nil), which accounted for approximately 2.0% of the Group’s total turnover. The operating loss amounted to approximately HK\$0.6 million (2003: HK\$Nil).

The Group is generally optimistic for the outlook of the travel business. The strategy of which is to provide a one-stop service for customers to include an array of cruise holiday packages, hotel reservation and ticketing services for overseas destinations. Travel Success works closely with travel agencies in the USA and Canada in order to widen its customer base and establish a good reputation thereon.



### **Cruise Business**

During the year under review, the revenue from the leasing and management of cruise, MV Macau Success, reported a total of turnover amounted to approximately HK\$57.8 million (2003: HK\$Nil), which accounted for approximately 30.1% of the Group's total turnover. Operating profit amounted to approximately HK\$28.2 million (2003: HK\$Nil).

The cruise business via MV Macau Success, will continue to target high-income clients who shop around for the super-luxurious cruise experience. MV Macau Success has a gross tonnage of 9,848 tons and a total of 207 fully air-conditioned passenger cabins. It currently takes up passengers in Hong Kong and provides various on-board cruise activities, services and amenities, such as casino, slot machines, restaurants, bars, karaoke, mahjong, beauty salons and massage facilities. The karaoke lounge has been refurbished recently and a new 400 square-metres casino for super VIP's has been launched on board. The quality of facilities will continue to be top-notch to capture this market segment with high spending power.

### **Reorganisation of the Group**

On 9 March 2004, MSHK, the then ultimate holding company of the Group which was formerly listed on the Stock Exchange, put forward the Group Reorganisation pursuant to which the Company became the new ultimate holding company of the Group and the shareholders of MSHK received one share of the Company for every share held at the record time and became the shareholders of the Company.

Upon the approval of the Court of First Instance of the High Court, Hong Kong and the fulfillment of the other conditions as set out in an announcement of the Company dated 9 March 2004, all subsidiaries of MSHK became indirect subsidiaries of the Company. MSHK was delisted from the Stock Exchange on 8 November 2004, and the Company was listed on the Stock Exchange on 9 November 2004 by way of introduction.

## **FINANCIAL REVIEW**

### **Pledge of Assets**

As at 30 September 2004, the Group's assets pledged as security for banking facilities amounted to approximately HK\$0.2 million (2003: approximately HK\$1.0 million).

### **Contingent Liabilities**

As at 30 September 2004, the Group had no contingent liability (2003: HK\$Nil).

## Liquidity, Financial Resources and Gearing

As at 30 September 2004, the Group had net current assets of approximately HK\$28.9 million (2003: approximately HK\$19.3 million) and net assets of approximately HK\$86.2 million (2003: approximately HK\$29.3 million).

As at 30 September 2004, the Group had total financial borrowings of approximately HK\$33.2 million as compared to approximately HK\$11.5 million at last financial year end date and had no obligations under finance leases (2003: approximately HK\$0.03 million).

As at 30 September 2004, other than loans from minority shareholders of approximately HK\$31.5 million (2003: HK\$Nil), which is interest-free, unsecured and without fixed repayment term, the remaining total financial borrowings of the Group were denominated in Hong Kong dollars and bear interest at fixed rates. Of the total financial borrowings, approximately HK\$1.7 million (2003: approximately HK\$10.6 million) is repayable within one year, while approximately HK\$31.5 million (2003: approximately HK\$0.9 million) is repayable after one year.

As at 30 September 2004, the Group had no bank loan (2003: approximately HK\$1.0 million) which was secured by property, plant and equipment (2003: with a carrying value of approximately HK\$2.3 million).

Shareholders' funds of the Group as at 30 September 2004 recorded a surplus of approximately HK\$86.2 million (2003: approximately HK\$29.3 million). Accordingly, the gearing ratio which is measured on the basis of the interest bearing borrowings of the Group over the shareholders' funds was 1.9%.

## Capital Structure

### *Placing of New Shares*

Pursuant to a placing agreement dated 3 November 2003 and a supplemental agreement dated 17 November 2003 entered into between Tai Fook Securities Limited, as placing agent, and MSHK, 97,200,000 new shares of HK\$0.01 each of MSHK 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 tourists-related businesses with good potential in Hong Kong and Macau when opportunities arise.

#### *Placing of Existing Shares and Subscription of New Shares*

Subsequent to the year, Silver Rich Macau Development Limited (“Silver Rich”), a substantial shareholder of the Company, entered into a placing agreement (the “Placing Agreement”) and a subscription agreement (the “Subscription Agreement”) with Deutsche Bank AG (the “Placing Agent”) and the Company respectively on 10 November 2004. Pursuant to the Placing Agreement, the Placing Agent agreed to place, on a fully underwritten basis, 317,000,000 shares to not less than six independent placees at a price of HK\$1.28 per share (the “Placing”). Pursuant to the Subscription Agreement, Silver Rich conditionally agreed to subscribe for 317,000,000 new shares at a price of HK\$1.28 per share. The Placing and the Subscription were completed on 12 November 2004 and 23 November 2004 respectively. Upon the completion of the Placing and the Subscription, shareholding of Silver Rich was decreased from approximately 43.20% to approximately 36.01% and shareholding of Spring Wise Investments Limited, another substantial shareholder of the Company, was decreased from approximately 18.51% to approximately 15.43%.

The net proceeds derived from the Subscription and the Placing amounted to approximately HK\$370.0 million will be applied as to approximately HK\$166.5 million for the investment, development and operation of Ponte 16, as to approximately HK\$111.0 million for other possible investment opportunities in hotel and tourists-related projects, and as to approximately HK\$92.5 million for general working capital for the Group.

#### *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 MSHK, as purchaser and an independent third party as vendor in respect of the sale and purchase of the entire issued capital of Hover Management Limited, a company incorporated in Hong Kong with limited liability, 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 MSHK, as vendor and an independent third party 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 has taken place on 29 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. Completion has taken place on 26 March 2004. This disposal constituted a connected transaction.

On 20 February 2004, World Fortune Limited (“World Fortune”), a wholly-owned subsidiary of MSHK, subscribed 10,000 shares of MOP100.00 each in the capital of Pier 16 – Property Development Limited (“Pier 16 – Property Development”), a company incorporated in Macau with limited liability, representing 10% of the total issued share capital of Pier 16 – Property Development. Subsequent to the year end, World Fortune increased its shareholding in Pier 16 – Property Development to 24.5% by way of transferring 14.5% equity interests from SJM-Investimentos to World Fortune on 18 November 2004 (the “Transfer”). SJM-Investimentos is an independent third party to the Group which owned 51% equity interest in Pier 16 – Property Development after the Transfer. Other than any external financing to be obtained, the development of Ponte 16 will be financed by the shareholders of Pier 16 – Property Development by way of shareholders’ loan in proportion to their respective shareholding. The contribution obliged to be made by the Group in the form of shareholders’ loan to Pier 16 – Property Development, an affiliated company (as defined under the Listing Rules) of the Company after the Transfer, represents approximately 14.4% of the unaudited consolidated total assets of the Group as at 31 March 2004.

### Staffing

As at 30 September 2004, the Group had approximately 300 employees. Remuneration is determined by reference to qualifications, experience, responsibility and performance of the staff concerned. Apart from the basic remuneration, staff benefits include medical insurance, retirement benefits under Mandatory Provident Fund Scheme, and etc.

### PROSPECTS

The gaming industry is a leading industry and the driving force for the development of other industries in Macau. It constitutes an indispensable part of the history of Macau. Given the clear strategies established by the Government of Macau to continuously develop Macau as a tourism, gaming, international MICE (Meetings, Incentives, Conferences, Exhibitions) and leisure destination, the prospects for the gaming industry and related industries in Macau appear to be promising in the future. Macau is sometimes referred to as the “Asian Las Vegas”.

In view of the above positive operating environment, the Group had acquired World Travel Agency Limited, a company incorporated in Macau, in October 2004 in order to further expand its travel related business in Macau.

The established direction of the Group is to develop and strengthen tourists-related businesses including hotels and casinos. With the strong financial position of the Group and the experience of management in entertainment operations, the Board of Directors is confident of seizing any upcoming opportunities and believes that this strategy will reward its long-term investors.